ROGERS SUGAR INCOME FUND

ROGERS SUGAR LTD. | LANTIC SUGAR LIMITED

Annual Report 2002

ROGERS SUGAR INCOME FUND

QUARTERLY DISTRIBUTIONS

(In thousands of dollars, except amounts per unit)	ACTUAL 2002		ACTUAL 2001	
	$	Per unit	$	Per unit
First quarter	$ 4,152	$ 0.1000	$ 7,885	$ 0.1900
Second quarter	7,702	0.1000	4,151	0.1000
Third quarter	8,860	0.1150	4,151	0.1000
Fourth quarter	9,247	0.1200	4,151	0.1000
Total	$ 29,961	$ 0.4350	$ 20,338	$ 0.4900

Table of Contents

ROGERS SUGAR INCOME FUND

Message to unitholders

On March 8, 2002, Rogers Sugar Income Fund (the "Fund") acquired 100% of the outstanding shares of Lantic Sugar Limited ("Lantic") in exchange for 35.5 million trust units. Concurrent with this transaction, the Fund also issued $85.0 million of convertible debentures due June 29, 2007. The proceeds were used, in part, for the acquisition of Lantic and the remaining funds were invested temporarily in the Fund's operating companies pending the identification of further acquisition opportunities.

During the fiscal year ended September 30, 2002, the Fund earned $33.4 million in interest compared to $20.8 million in fiscal 2001. In addition, the Fund received a dividend of $2.8 million from Lantic. The increased interest income was earned from the additional subordinated debt in Lantic and Rogers Sugar Ltd. ("Rogers") following the acquisition of Lantic and the issue of convertible debentures.

Quarterly distributions were increased twice during the year, from 10.0 cents to 11.5 cents in June 2002, and from 11.5 cents to 12.0 cents in September 2002. The increases brought about by the acquisition of Lantic were higher than expected due in large part to the higher volume and better operational results of Lantic, which substantiates our claim that this acquisition would indeed be accretive to the Fund.

In total, the Fund distributed almost $30 million (43.5 cents per unit) to unitholders during the year, of which 3.6 cents were dividend and the balance interest income.

Future distributions to unitholders are dependent upon Rogers' and Lantic's earnings and cash flows. In fiscal 2003, we anticipate that Rogers' results will be somewhat negatively affected by a smaller beet crop in Taber due to poor weather growing conditions, and a consequent increase in operating costs. The impact of these results will more than likely be offset by the continuing growth in demand in eastern Canada and better operating performance by Lantic.

We will continue to seek growth opportunities to enhance the value of the Fund and to improve distributions to its unitholders.

For the information of unitholders, we are pleased to include the 2002 Annual Reports of Rogers and Lantic in this document, commencing on page 15.

On behalf of the Trustees,

David C. Dingwall, P.C., Q.C.
Chairman

ROGERS SUGAR INCOME FUND

Management's Discussion and Analysis

The Fund, an open-ended, limited purpose trust established under the laws of the Province of Ontario, was created in October 1997. Initially, its purpose was to hold all of the common shares and Subordinated Notes (the "Notes") of Rogers.

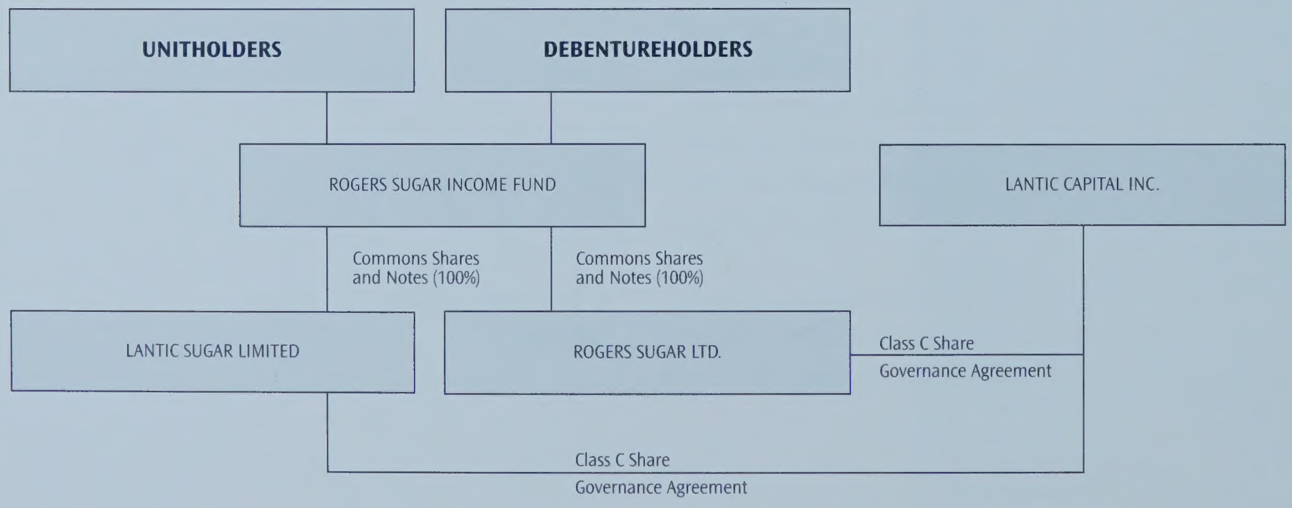
In fiscal 2002, the Fund acquired Lantic in exchange for 35.5 million trust units and issued $85.0 million of convertible debentures. During the year ended September 30, 2002, the Fund issued a further 50,064 units under the Distribution Reinvestment Program ("DRIP") introduced in March 2001. Since the inception of the DRIP, a total of 54,371 units have been issued. At September 30, 2002, a total of 77,059,171 units were outstanding plus $85.0 million of convertible debentures.

The chart at the bottom of the page illustrates the structural relations between the unitholders, debentureholders, the Fund, Lantic Capital Inc. and the Fund's operating companies, Lantic and Rogers.

Governance

The Declaration of Trust of the Fund provides that the Trustees may in respect of the assets, activities and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner.

The Fund is governed by not less than three nor more than seven Trustees who are appointed annually at the annual general meeting of the unitholders. At present, there are seven Trustees.



The Trustees are responsible for, among other things: acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of Rogers and Lantic; maintaining records and providing reports to unitholders; supervising the activities and managing the investments and affairs of the Fund; and effecting payments of distributable cash from the Fund to unitholders.

Communication with unitholders on matters relating to the Fund is primarily the responsibility of the Administrator, Lantic Sugar Limited, through its Chief Executive Officer and Chief Financial Officer. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

Operations

The Fund derived its income mainly from interest earned on the Subordinated Notes invested in its operating companies and from dividends received from the operating companies.

During fiscal 2002, the Fund earned $33.4 million in interest income compared to $20.8 million the previous year. The increase in income is due to the additional subordinated debt of $200.8 million in Lantic and of $32.5 million in Rogers invested in March 2002, following the acquisition of Lantic and the issue of convertible debentures. It should be noted that the interest income earned on the initial Notes of Rogers of $278.3 million issued in 1997 was reduced from $20.8 million in 2001 to $16.8 million in 2002. This reduction of $4.0 million was due to the lower operating performance of Rogers.

The Fund also received a dividend of $2.8 million from Lantic.

The interest paid on convertible debentures is categorized under two headings because, under generally accepted accounting principles ("GAAP"), we need to segregate financial instruments according to their nature. The liability is estimated using discounting techniques regarding the value of future interest payments. The residual amount is therefore considered our equity portion. As the interest payments are made, they draw down the value of the debt and increase the value of our equity. The interest paid on the debt portion of the convertible debentures of $1.7 million is shown under interest expenses on the Fund's financial statements. The interest paid on the equity of convertible debentures of $2.8 million is shown separately as interest expense in the calculation of distributable cash.

Administration expenses in 2002 were $0.2 million higher than in the previous year due mainly to the additional expenses incurred with the acquisition of Lantic.

Distributable cash increased to $30.4 million in fiscal 2002 from $20.4 million in fiscal 2001. All of this relates to a dividend payment by Lantic, and additional interest income received on the new Notes in the operating companies, Lantic and Rogers.

On a weighted average basis, the Fund earned 49 cents per unit of distributable cash in 2002, the same as the previous year. On a fully diluted basis, the Fund earned 48 cents of distributable cash per trust unit.

Distribution

The Fund is required to distribute to unitholders, on a quarterly basis, interest and dividend income received from Lantic and Rogers, less administrative expenses and the Fund's interest expenses on the convertible debentures.

During the 2002 fiscal year, the Fund declared distributions of $30.0 million compared to $20.3 million in fiscal 2001. The increase in declared distributions is due to the higher interest income earned during the year.

Taxation

The Fund is a taxable trust under the *Income Tax Act (Canada)* and is subject to taxation on its income for the year, less the portion paid or payable to unitholders. As anticipated, all income should be paid to unitholders in the year received, and as such the Fund should have no taxable income.

Amounts paid or payable by the Fund in a calendar year are taxable in the hands of the unitholders as interest and dividend income, as the case may be.

Liquidity and Capital Resources

The Fund's operating cash flows are generated entirely from interest on the Notes and dividends or return of capital of Lantic and Rogers. Quarterly distributions are made to unitholders based on the cash received less working capital requirements for administrative expenses. On an on-going basis, the Fund does not require capital resources to maintain its investment in Lantic or Rogers.

Outlook

The Fund is totally dependent upon Lantic and Rogers for cash availability for distributions. The annual interest payment on Rogers' initial Notes of $278.3 million varies with the performance of the operating company. Dividends received on the common shares will fluctuate with Lantic's and Rogers' results and their requirements for maintenance capital expenditures, bank financing and working capital.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Rogers Sugar Income Fund and all the information in this annual report pertaining to the Fund are the responsibility of management and have been approved by the Trustees.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management is also responsible for maintaining systems of internal and administrative controls to provide reasonable assurance that the Fund's assets are safeguarded, that transactions are properly executed in accordance with appropriate authorization and that the accounting systems provide timely, accurate and reliable financial information.

The Trustees are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Trustees perform this responsibility at meetings where significant accounting, reporting and internal control matters are discussed, and the financial statements and annual report are reviewed and approved.

Financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the unitholders. The Auditors' Report outlines the scope of their examination and their independent professional opinion on the fairness of these financial statements.

Dallas H. Ross
Trustee

James S.A. MacDonald
Trustee

October 31, 2002

Auditors' Report to the unitholders of the Rogers Sugar Income Fund

We have audited the balance sheets of Rogers Sugar Income Fund as at September 30, 2002 and 2001 and the statements of earnings, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2002

Balance Sheets

Years ended September 30, 2002 and 2001
(in thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,332**	$ 43
Other current assets	**12**	10
Receivable from Rogers Sugar Ltd.	**4,819**	4,400
Receivable from Lantic Sugar Limited	**6,524**	—
	12,687	4,453
Investment in Lantic Sugar Limited (note 2):		
Investment in common shares	**1**	—
Subordinated notes	**200,850**	—
Equity in earnings and amortization of purchase price discrepancy less dividends	**(175)**	—
	200,676	—
Investment in Rogers Sugar Ltd. (note 5):		
Investment in common shares	**102,701**	102,701
Subordinated notes	**310,761**	278,261
Equity in loss and amortization of purchase price discrepancy less dividends	**(95,256)**	(94,252)
	318,206	286,710
Deferred financing charges	**1,440**	—
	$ 533,009	$ 291,163
Liabilities and unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 2,133**	$ 342
Distributions payable to unitholders (note 7)	**9,247**	4,151
Current portion of convertible unsecured subordinated debentures (note 9)	**5,396**	—
	16,776	4,493
Convertible unsecured subordinated debentures (note 9)	**24,869**	—
Unitholders' equity	**491,364**	286,670
	$ 533,009	$ 291,163

See accompanying notes to financial statements.

Approved by the Trustees:

Dallas H. Ross
Trustee

James S.A. MacDonald
Trustee

Statements of Earnings

Years ended September 30, 2002 and 2001 (in thousands of dollars, except amounts per trust unit)	2002	2001
Interest income:		
Rogers Sugar Ltd.	$ 18,500	$ 20,800
Lantic Sugar Limited	14,909	—
Other	35	—
	33,444	20,800
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	(1,004)	(12,928)
Amortization of Fund's purchase price discrepancy	—	(8,642)
	(1,004)	(21,570)
Lantic Sugar Limited:		
Equity in earnings of Lantic Sugar Limited	1,340	—
Amortization of Fund's purchase price discrepancy	1,285	—
	2,625	—
	35,065	(770)
Expenses:		
Administration costs	654	443
Net interest expenses on subscription receipts	630	—
Interest expense on convertible unsecured subordinated debentures	1,736	—
Amortization of deferred financing charges	176	—
Net earnings (loss)	$ 31,869	$ (1,213)
Net earnings (loss) per trust unit:		
Basic	$ 0.47	$ (0.03)
Diluted	0.46	(0.03)

See accompanying notes to financial statements.

Statements of Unitholders' Equity

Years ended September 30, 2002 and 2001 (in thousands of dollars)	2002	2001
Balance, beginning of year	$ 286,670	$ 308,204
Net earnings (loss) for the year	31,869	(1,213)
Distributions (note 7)	(29,961)	(20,338)
Convertible unsecured subordinated debentures (note 9)	51,652	—
Issuance of trust units (note 8)	153,955	17
Interest expense on equity portion of the convertible unsecured subordinated debentures (note 9)	(2,821)	—
Balance, end of year	$ 491,364	$ 286,670

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended September 30, 2002 and 2001
(in thousands of dollars)

	2002	2001
Cash flows from operating activities:		
Net earnings (loss)	**$ 31,869**	$ (1,213)
Adjustments for items not involving cash:		
Amortization of deferred financing charges	**176**	—
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	**1,004**	12,928
Amortization of Fund's purchase price discrepancy	**—**	8,642
Lantic Sugar Limited:		
Equity in earnings of Lantic Sugar Limited	**(1,340)**	—
Amortization of Fund's purchase price discrepancy	**(1,285)**	—
(Decrease) increase in non-cash working capital	**(5,154)**	3,723
	25,270	24,080
Cash flows from financing activities:		
Distributions to unitholders	**(24,865)**	(24,073)
Issuance of trust units (note 8)	**218**	17
Issuance of convertible unsecured debentures, net (note 9)	**81,917**	—
Financing charges	**(1,616)**	—
	55,654	(24,056)
Cash flows from investing activities:		
Investment in Lantic Sugar Limited (note 2)	**(2,114)**	—
Issuance of subordinated notes to Lantic Sugar Limited (note 2)	**(45,000)**	—
Issuance of subordinated notes to Rogers Sugar Ltd. (note 5)	**(32,500)**	—
Dividend from Lantic Sugar Limited	**2,800**	—
Interest expense on the equity portion of the convertible unsecured subordinated debentures (note 9)	**(2,821)**	—
	(79,635)	—
Net increase in cash	**1,289**	24
Cash and cash equivalents, beginning of year	**43**	19
Cash and cash equivalents, end of year	**$ 1,332**	$ 43
Supplemental cash flow disclosure:		
Investment in Lantic Sugar Limited in exchange for trust units	**$ 153,737**	$ —

See accompanying notes to financial statements.

Years ended September 30, 2002 and 2001

1 FORMATION OF FUND

Rogers Sugar Income Fund (the "Fund", is an open-ended, limited purpose trust created under the laws of Ontario by a declaration of trust made as of September 15, 1997 as amended and restated on September 30, 1997 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

The Fund has been established to own 100% of the common shares ("Common Shares") and $278,260,870 principal amount of subordinated notes ("Notes") of Rogers Sugar Ltd. ("Rogers"). To finance these investments, the Fund issued 41,504,800 trust units for net proceeds of $382 million.

While the Fund owns all of the issued Common Shares, Lantic Capital Inc., owner of the Class C share of Rogers, is entitled to designate five of Rogers' seven directors. Accordingly, Rogers does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment from the effective date of the acquisition, October 8, 1997, using the equity method. Under this method, the cost of the investment is increased (decreased) by Rogers' earnings (loss) and reduced by the amortization of the excess of the purchase price over the net book value of the acquired shares (purchase price discrepancy), any dividends paid to the Fund by Rogers and repurchases of the Common Shares held by the Fund.

2 INVESTMENT IN LANTIC SUGAR LIMITED

On March 8, 2002, the unitholders approved the acquisition of 171266 Canada Inc. ("Lantic Investments") in exchange for the issuance of 35,500,000 units of the Fund.

Immediately thereafter, the Fund incorporated 3989536 Canada Inc. ("Lantic Holdings") and Lantic Holdings issued 1 Class "C" share to Lantic Capital Inc. entitling it to designate five of Lantic Holdings' seven directors. The Fund sold its investment in Lantic Investments to Lantic Holdings in exchange for an unsecured subordinated note of Lantic Holdings in the amount of $155,850,000 bearing interest at 13.25%. Lantic Holdings and Lantic Investments were then merged to form Lantic Sugar Limited ("Lantic").

While the Fund owns all of the common shares of Lantic Sugar Limited, Lantic Capital Inc., the owner of the Class "C" shares of Lantic Sugar Limited is entitled to designate five of Lantic Investments' seven directors. Accordingly, Lantic Sugar Limited does not meet the definition of a subsidiary for accounting purposes and the Fund will account for its investment in Lantic Investments from the effective date of acquisition using the equity method.

Since the transactions between Lantic Holdings and Lantic Investments represent exchange of ownership interests between entities under common control, the financial statements of Lantic Sugar Limited reflect the assets and liabilities of Lantic Holdings and Lantic Investments at their net book value as reported in their historical financial statements.

The allocation of the purchase price was as follows:

(in thousands of dollars)

Fair value of consideration issued:	
35,500,000 units at $4.33 per unit	$ 153,737
Acquisition costs	2,113
	155,850
Net book value of Lantic Investments as of March 7, 2002	37,692
Purchase price discrepancy	$ 118,158

Allocated as follows:	
Capital assets	$ 31,800
Pension asset	(5,051)
Long-term debt - interest rate swap	(2,891)
Goodwill	94,300
	$ 118,158

2 INVESTMENT IN LANTIC SUGAR LIMITED (CONTINUED)

The details of the Fund's investment in Lantic Sugar Limited as of September 30, 2002 are as follows:

(in thousands of dollars)	
Common shares	$ 1
Subordinated notes:	
Series "A" - issued on corporate reorganization, bearing interest at 13.25%	155,850
Series "A" - issued on March 8 and used to repay term loans, bearing interest at 13.25%	35,000
Series "B" - issued on March 8 and used for working capital purposes, bearing interest at 10%	10,000
	$ 200,851

The Series "A" and Series "B" subordinated notes are due on October 15, 2027.

3 CHANGE IN ACCOUNTING POLICY

Goodwill:

Effective October 1, 2001, the Fund adopted the new CICA recommendations related to goodwill and intangible assets (Handbook Section 3062). The guidance found in Section 3062 states that goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The guidance states that, consistent with equity method investments, the portion of the difference between the cost of an investment and the underlying equity in net assets of an investee that represents goodwill (i.e. equity method goodwill) is not amortized. However, equity method goodwill would not be tested for impairment in accordance with Section 3062, but rather in accordance with Handbook Section 3050, Long-term Investments (HB 3050). Under HB 3050, the evaluation of equity method goodwill is subsumed into an evaluation for impairment of the investment in the equity method investee in total. The Fund has determined its purchase price discrepancy, representing the excess of the purchase price of the Fund's investment in the Common Shares and Notes over the related net book value of Rogers Sugar Ltd., at the date of acquisition to be $172.8 million. As at October 1, 2001, the net book value of the Fund's purchase price discrepancy amounted to $138.4 million. As of the date of adoption, management considers that the investments in Rogers Sugar Ltd. and Lantic Sugar Limited are fairly stated.

The following summarizes the effect of the accounting change if it were applied retroactively:

(in thousands of dollars)	**2002**	2001
Reported earnings (loss)	**$ 31,869**	$ (1,213)
Add back: goodwill amortization	—	8,642
Adjusted net earnings	**$ 31,869**	$ 7,429
Reported earnings (loss) per trust unit:		
Basic	**$ 0.47**	$ (0.03)
Diluted	**0.46**	(0.03)
Add: goodwill amortization	—	0.21
Adjusted earnings per trust unit:		
Basic	**0.47**	0.18
Diluted	**0.46**	0.18

4 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada.

(a) Income taxes:
The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. As substantially all taxable income will be allocated to the unitholders, no provision for income taxes on earnings of the Fund has been made in these financial statements. Income tax liability relating to distributions from the Fund are the obligations of the unitholders.

(b) Cash and cash equivalents:
Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Fund's cash management.

(c) Distributions to unitholders:
Distributions to unitholders are made on a quarterly basis. The amount of cash to be distributed annually to unitholders is equal to the total of interest income earned on the Notes, dividends received from Rogers and Lantic and any repurchases of Common Shares by Rogers and Lantic, less any administrative expenses incurred by the Fund and amounts that may be paid in connection with any cash redemption of units or amounts required for the operation of the Fund.

(d) Use of estimates:
The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Financial instruments:
The carrying value of cash, other current assets, accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders, approximates fair values based on the short-term maturity of these instruments. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

The fair value of the convertible unsecured subordinated debentures is established using current market quotes.

5 INVESTMENT IN ROGERS SUGAR LTD.

The Fund has an investment in Rogers made up of the following:

(in thousands of dollars)	**2002**	2001
41,504,800 common shares	**$ 102,701**	$ 102,701
Subordinated notes (the "Notes"):		
Issued in 1997	**278,261**	278,261
Series "A"	**7,500**	—
Series "B"	**25,000**	—
	310,761	278,261
	$ 413,462	$ 380,962

The 41,504,800 shares represent 100% of Rogers' issued common shares.

During the year, the Fund issued the Series "A" and Series "B" Notes which bear interest at 10%.

All Notes mature on October 15, 2027. The Notes issued in 1997 bear interest at a variable rate based on Rogers earnings before interest, taxes, depreciation and amortization (EBITDA), and working capital requirements, subject to a ceiling of 11.5%, and a floor of 6% per annum, payable quarterly. The Fund may defer the payment of interest on the Notes for up to 18 months to the extent that its EBITDA, less any interest and principal paid on the Credit Facility, are inadequate to pay the interest on the Notes.

5 INVESTMENT IN ROGERS SUGAR LTD. (CONTINUED)

From time to time, the Board of Directors of Rogers and, if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of outstanding Notes, the Trustees shall jointly review Rogers' facilities and operations, the economic conditions relating to the sugar industry and the business prospects of Rogers. If this review, in the opinion of either the Board of Directors of Rogers or the Trustees, indicates that it is unlikely that the indebtedness of Rogers evidenced by the Notes could be refinanced on the same terms and conditions upon maturity of the Notes, then Rogers shall commence principal repayments on the Notes such that the Notes are fully repaid on or before the Maturity Date or reduced to the level which the Board of Directors of Rogers and the Trustees are of the opinion could be so refinanced. In that event, the available cash of Rogers will be utilized to the extent required to fund such repayments in lieu of returns of capital on Common Shares or dividends on, or other distributions in respect of Common Shares.

The Notes issued in 1997 and the Series "A" Notes are not redeemable prior to maturity.

6 DISTRIBUTABLE CASH

(in thousands of dollars)	**2002**	2001
Net earnings (loss)	**$31,869**	$ (1,213)
Add (deduct):		
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	**1,004**	12,928
Amortization of Fund's purchase price discrepancy	**—**	8,642
Lantic Sugar Limited:		
Equity in earnings of Lantic Sugar Limited	**(1,340)**	—
Amortization of Fund's purchase price discrepancy	**(1,285)**	—
Dividend from Lantic Sugar Limited	**2,800**	—
Interest expense on the equity portion of the convertible unsecured subordinated debentures (note 8)	**(2,821)**	—
Amortization of deferred financing charges	**176**	—
Distributable cash	**$ 30,403**	$20,357
Distributable cash per trust unit:		
Basic	**$ 0.49**	$ 0.49
Diluted	**0.48**	0.49

7 DISTRIBUTIONS TO UNITHOLDERS

During the year, the Fund declared distributions to unitholders of $29,960,935 (2001 - $20,337,801) or $0.435 (2001 - $0.49) per unit. The amounts and record dates of the distributions were:

	2002		2001	
Record date	**Amount**	**Amount per unit**	Amount	Amount per unit
December 31	**$ 4,151,725**	**$ 0.100**	$ 7,885,912	$ 0.190
March 31	**7,702,430**	**0.100**	4,150,480	0.100
June 30	**8,859,693**	**0.115**	4,150,498	0.100
September 30	**9,247,087**	**0.120**	4,150,911	0.100
	$ 29,960,935	**$ 0.435**	$ 20,337,801	$ 0.490

The September 30 distribution was paid on October 15, 2002 (2001 - October 15, 2001). The distributions declared have been allocated as follows for income tax purposes:

	2002		2001	
	Amount	**Amount per unit**	Amount	Amount per unit
Interest income	**$ 27,160,935**	**$ 0.399**	$ 20,337,801	$ 0.490
Dividend income	**2,800,000**	**0.036**	—	—
Total distribution	**$ 29,960,935**	**$ 0.435**	$ 20,337,801	$ 0.490

8 TRUST UNITS

An aggregate 77,059,171 (2001 - 41,509,107) Trust Units of Rogers Sugar Income Fund have been issued. Each Trust Unit represents an equal undivided beneficial interest in the net assets of the Fund. Each Trust Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund and to one vote for each Trust Unit held at all meetings of unitholders. Unitholders are not subject to future cash calls or assessments.

(in thousands of dollars, except number of units)	2002		2001	
	Number of units	**Amount**	Number of units	Amount
Trust Units, beginning of year	**41,509,107**	**$ 380,979**	41,504,800	$ 380,962
Issued during the year:				
Investment in Lantic Sugar Limited (note 2)	**35,500,000**	**153,737**	—	—
Distribution Reinvestment Plan	**50,064**	**218**	4,307	17
	35,550,064	**153,955**	4,307	17
Trust Units, end of year	**77,059,171**	**$ 534,934**	41,509,107	$ 380,979

During the year, the Fund issued 50,064 (2001 - 4,307) units at a value of approximately of $218,500 (2001 - $17,000) by way of its Distribution Reinvestment Plan. The weighted average of trust units used to calculate net earnings and distributable cash per trust unit is 62,245,247.

9 CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

Concurrently with the Fund's investment in Lantic Sugar Limited, the proceeds from 85,000 subscription receipts issued on January 31, 2002 were released from escrow and converted into 85,000 $1,000 principal amount of 9.5% convertible unsecured subordinated debentures ("Debentures") of the Fund. The debentures mature on June 29, 2007 and interest is payable semi-annually on June 29th and December 29th in each year, commencing June 29, 2002.

The respective debt and equity components of the debentures, net of issue costs of $3,083,000, are as follows:

(in thousands of dollars)

	Debt component	Equity component	Total
Balance, at issuance (March 8, 2002)	$ 33,086	$ 48,831	$ 81,917
Debt reduction and transfers to equity component year-to-date	(2,821)	2,821	—
Balance, end of year	$ 30,265	$ 51,652	$ 81,917

The liability component of the 9.5% convertible debentures was determined by discounting the stream of future interest payments at the then prevailing market interest rate. The liability component will increase over the term to maturity through charges to earnings and decrease through the semi-annual payment of interest, so that at maturity it will be nil.

The equity component was calculated at inception as the difference between the debenture principal obligation and the amount of the liability component. The equity component will increase over the term to maturity through charges to retained earnings, so that at maturity it will equal the principal amount of the debenture, net of issue costs.

Each debenture is convertible into trust units at the option of the holder at any time prior to the close of business on the earlier of June 29, 2007, and the business day immediately preceding the date specified by the Fund for redemption of the debentures, at a conversion price of $4.75 per trust unit (the "Conversion Price"), being a conversion rate of 210,526 trust units per $1,000 principal amount of debentures, subject to adjustments in accordance with the terms of the trust indentures governing the debentures.

The debentures will not be redeemable by the issuer on or before February 1, 2005. Subsequent to February 1, 2005, and prior to February 1, 2006, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price preceeding the date upon which the notice of redemption is given is at least 125% of the conversion price. Subsequent to February 1, 2006, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

The fair value of the debentures, as at September 30, 2002, was approximately $88,400,000.

10 ADMINISTRATION AGREEMENT

In 1997, the Fund entered into an Administration Agreement with Lantic. Under the terms of the agreement, Lantic is responsible for the administration and management of the Fund. Under the Administration Agreement, Lantic earns a fee of $50,000 per annum. The agreement is still in place at the end of fiscal 2002.

ROGERS SUGAR LTD. AND LANTIC SUGAR LIMITED

Report to the Shareholders

A Year of Renewal

In fiscal 2002, the performance of our operating companies, Rogers and Lantic, demonstrated our commitment to our new mission: to maximize unitholder value by being a high performance organization supported by proud employees and focused on operational excellence and customer loyalty.

The year was highlighted by a number of achievements for our organization, confirming our renewed momentum.

Our operating companies combined generated $37.7 million of distributable cash flow in 2002 of which $36.2 million was distributed to the Fund, a pay out ratio of 96.0%.

Rogers generated distributable cash of $19.5 million, compared to $19.9 million in 2001. Lantic's performance exceeded our expectations, generating $18.2 million in distributable cash flow since its acquisition and substantiating our claim that the acquisition would indeed be accretive to the Fund.

Our Vancouver refinery produced a record amount of sugar this year by producing over 162,000 metric tonnes. Its available capacity allowed us to make up for the shortfall at our Taber facility and to meet our customers' needs in the Western market. The Vancouver refinery's safety record was also significantly improved.

Our Taber operation was slowed by the serious drought in the Prairies. Beet acreage in 2002 was significantly less than in the previous year, which severely curtailed the beet crop. As a result, we produced slightly less than 80,000 metric tonnes of sugar at this facility, compared to 113,200 metric tonnes in fiscal 2001. However, the factory performed exceptionally well. We reached a record-setting average slice rate of 6,133 metric tonnes a day, and the sugar extraction rate was excellent as the quality of the beets in this shorter campaign remained very good. Taber's safety record was improved substantially, and this facility now boasts the most positive safety performance figures in the organization.

In 2002, our Montreal refinery had a record-setting year in terms of production. The average melt rate increased by 6.5%. This is still somewhat below our target, but the shortfall was essentially caused by unexpected delays and necessary preventive and corrective maintenance. The Montreal plant reached post-expansion targets numerous times during the period and has shown steady improvement. We are confident that this trend will continue into 2003 and beyond.

During the year, Lantic participated with TransCanada Energy in a public tender from Hydro-Quebec Distribution, and proposed our site for a co-generation project. Although our bid was not retained by Hydro-Quebec Distribution, we still believe in the value of our site and we will continue to seek opportunities to develop a co-generation project.

A New Strategic Direction

In fiscal 2002, senior management updated its strategic plan, which will serve to guide our actions in meeting the challenges and opportunities that lie ahead. Our strategy is based upon four key pillars that will help ensure our continuing growth and stability. They are:

1) A business plan to foster customer loyalty and demonstrate our leadership in the Canadian market. New product initiatives are ongoing, and we are stepping up efforts to offer value-added services to our customers.
2) An operational plan conceived to promote excellence. We are committed to establishing a corporate culture that is driven by results.
3) An organizational plan devised to deliver exceptional performance and to implement the right management systems.
4) An acquisition plan that builds on our core sugar business, generates new sources of cash and increases value for our unitholders. To this end, we are seeking out the most promising opportunities in complementary or non-traditional fields.

Outlook

Fiscal 2003 presents us with great challenges and exceptional opportunities. These will be met with aggressive initiatives.

Midway through our next fiscal year, we will be facing new competition from a sugar refinery presently being constructed in eastern Canada. Moreover, as of January 1, 2003, Costa Rican sugar producers will have access to our markets as a result of a bi-lateral trade agreement signed with Canada in 2001. To address this competition, we will continue to provide our customers with reliable, high-quality products and superior services.

Growth in the industrial segment of our business is forecast to continue in fiscal 2003. With our available plant capacity, we are well positioned to take advantage of this new growth opportunity.

In particular, the demand for industrial sugar products in eastern Canada continues to be strong. Our objective is to capture a large share of this growth, which will further increase the operational efficiency of our recently expanded Montreal refinery. Our Vancouver refinery will once again achieve high production levels to compensate for the short crop in Taber.

The three-year agreement we signed with the Alberta Sugar Beet Growers was designed to encourage growers to continue cultivating high quality beets and to increase overall acreage. Continued drought, combined with poor growing conditions will have a negative impact on the crop size for fiscal 2003. However, water levels in the irrigation reservoirs have improved considerably over the last few months, which bodes well for planting in Spring 2003.

Our strategic plan will create additional momentum in the areas of product and service development. Further, we will continue to improve our operational efficiency, reduce our costs and address the increasingly stringent food safety requirements such as those detailed in the international standard Hazard Analysis Critical Control Point (HACCP) system.

We are confident that our renewed sense of mission will unite the management and employees of Lantic and Rogers and enable us to work with a common focus towards a shared goal. In the months ahead, this should help the Fund reach even greater levels of achievement and deliver superior value to its unitholders.

On behalf of the Board of Directors,

Seth M. Mersky
Chaiman

Pierre G. Côté
President and CEO

ROGERS SUGAR LTD. AND LANTIC SUGAR LIMITED

Management's Discussion and Analysis–Operating Companies

Canadian accounting principles do not permit us to consolidate the results and operations of Rogers Sugar Ltd. ("Rogers") and Lantic Sugar Limited ("Lantic") into the financial statements of Rogers Sugar Income Fund (the "Fund"). For this reason, we present audited financial statements with accompanying notes therein for both operating companies for your information. For Rogers, these statements can be found on pages 29 to 40, and for Lantic on pages 41 to 54. Lantic's financial statements present the results for the fiscal years ended September 30, 2002 and 2001, as well as for the March 8, 2002 to September 30, 2002 period for which the Fund owned Lantic. For the reader's benefit, we are also presenting data to evaluate the key financial results of the operating companies on a combined basis.

The Board of Directors of both operating companies is comprised of the same individuals and our senior executive team manages both operating companies. The incentive plan for senior executive members is based on the results of both operating companies.

We wish to remind the reader that the results of operations for the newly acquired Lantic include data only from March 8, 2002 to September 30, 2002.

Our Operations

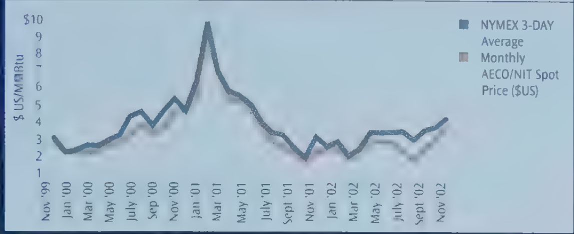
Collectively, Rogers and Lantic have a nominal production capacity of approximately 1,000,000 metric tonnes with which to serve sugar users across Canada. Lantic operates a cane refinery in Montreal, while Rogers operates a cane refinery in Vancouver and in Taber, Alberta, the only sugar beet factory in Canada.

In fiscal 2002, the Taber factory produced just under 80,000 metric tonnes of sugar, significantly less than last year's 113,400 metric tonnes. Due to severe drought conditions in southern Alberta, the harvested acreage was approximately one-third less than it was in the previous year. The plant operated very well, reaching a record high average slice rate of over 6,100 tonnes per day. In addition, the extraction rate was the second highest ever achieved.

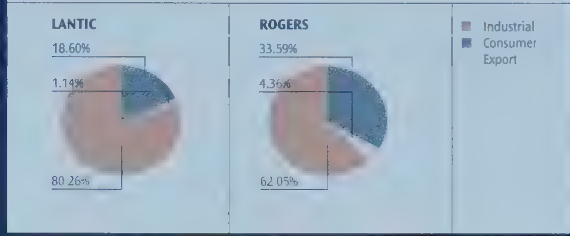
The Vancouver refinery produced over 162,000 metric tonnes of sugar in fiscal 2002, achieving a record level. As a result, the refinery was able to meet all our additional production requirements brought on by the Taber production shortfall. Moreover, the Vancouver refinery is the sole producer in Canada of many specialty products such as sugar cubes, muscovado, plantation raw sugar, boiled golden brown sugar and the well-known Rogers Golden Syrup. Because of its internal expertise and production flexibility, the Vancouver refinery will continue to be used for the testing and formulation of new products.

Since the completion of its expansion in fiscal 2000, the Montreal refinery is now a world-class production facility. The hourly melt capacity of the plant is near its hourly nominal capacity, which reduces the plant's overall operational costs. Due to strong demand in the eastern market, a fourth shift of operations has been added. This provides us with more production flexibility at a reduced per unit cost.

NYMEX LAST 3-DAY AVERAGE CLOSING PRICE
and Monthly AECO/NIT Spot Price in $US/MMBtu
(November 1999 - November 2002)



SALES BY TYPE



Labour is our most significant operational expense. Our employees are very important to the organization, so we strive to maintain a clean and safe work environment. Strict monitoring controls are in place and we are pleased to report improvements in safety results at all three refineries.

In Montreal, we are almost halfway through a 10-year labour contract that was signed in 1998. Labour contracts for our Taber and Vancouver facilities expire in February and March 2003 respectively. Negotiations for these contracts will soon be underway and we expect that these collective agreements will be renewed for periods of two to four years at competitive market rates.

Energy is our second largest operating expense. Over the last few years, sudden rises in natural gas prices have generated increased costs at all three refineries. We have developed a hedging strategy by entering into futures contracts to mitigate the effects of these fluctuations in the price of natural gas. The Montreal refinery has the added advantage of being able to switch from natural gas to bunker oil, and can therefore utilize the energy source that has a lower cost.

Lantic and Rogers also invest considerable amounts in preventive and repair maintenance to ensure a steady flow of production and to minimize downtime in operations.

Our Products

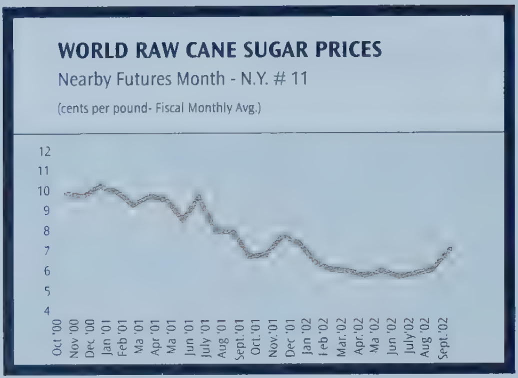
Both Rogers' and Lantic's sales are focused in three specific segments: industrial, consumer and liquid products. The customer demographics across Canada differ, as there are more industrial users of sugar in the east than in the west. As shown from the Sales by Type chart, a larger percentage of Rogers' sales occur in the consumer segment. As well, a substantial part of Rogers' industrial sales are made to liquid industrial users.

Some of these liquid users can substitute liquid sucrose with high fructose corn syrup ("HFCS"). These accounts have historically been the lowest margin accounts. Rogers has the ability to compete in this business on a year-to-year basis due mainly to its freight advantage over HFCS producers and the availability of sugar from the Taber factory.

	LANTIC		ROGERS		COMBINED**	
	2002*	2001	**2002**	2001	**2002**	2001
Revenues	**147,621**	—	**162,559**	185,430	**308,760**	185,430
Volume	**269,880**	—	**240,821**	261,828	**509,637**	261,828

* For the period from March 8, 2002 to September 30, 2002.
** Inter-company sales have been eliminated.

The lower average raw sugar price is the major reason for the decline in revenues at Rogers. Lantic's per metric tonne revenue is lower than Rogers' largely because Lantic's total sales include a greater proportion of industrial sales.



Due to Taber's lower beet crop in fiscal 2002, some of the liquid substitutable business was not contracted, thus reducing Rogers' total sales volume.

Lantic's sales were slightly ahead of forecast due mainly to strong demand in the industrial sector.

We continue to supply high quality white sugar as well as value-added specialty products. Over the years our customers have come to depend on us, and we are committed to responding to their evolving needs. By working with our customers to meet their product specifications, we deepen our relationships with them and strengthen our positioning as a supplier of choice.

Going forward, we intend to continue developing and offering a greater range of innovative products. The demand for our newly released products is positive and continues to grow. As a result, we expect that our ongoing introduction and repositioning of value-added products will help to enhance our sales and improve margin rates.

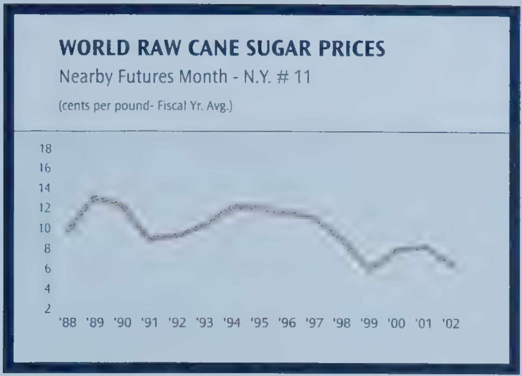
Our Supply

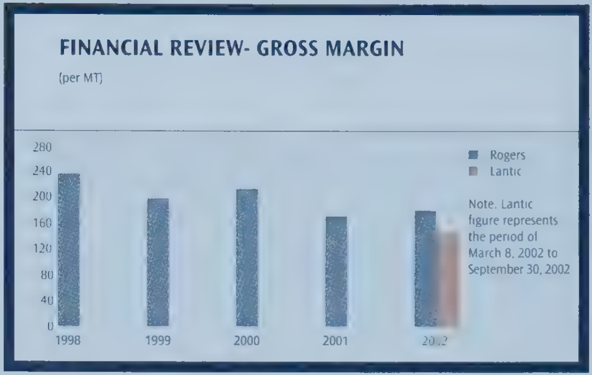
The price of Rogers' and Lantic's sugar delivered to our clients is directly linked to the world raw sugar market traded on the New York Coffee, Sugar and Cocoa Exchange. Unlike other countries, Canada does not subsidize the production or the processing of raw sugar.

All raw sugar transactions related to both the Vancouver and Montreal refineries are hedged, thus eliminating gains or losses from raw sugar movement in our pricing policy. In Taber, our raw material is sugar beets; therefore, since our pricing is based on a commodity, we do feel the effects of the volatility in world pricing. In 2002, we renegotiated our Master Agreement with the Alberta Sugar Beet Growers and jointly decided that a fixed price was the most secure method by which to encourage the Growers to continue to cultivate high quality beets and to increase acreage. With a larger crop, our Taber facility will be more efficient operationally and will therefore reduce our per unit cost of production. We will now absorb all of the risks associated with fluctuations in world raw sugar prices.

World raw sugar prices continued to decline during the year. The major reason for the decline was the continued increase in production by Brazil, the world's largest sugar producing country.

The supply of raw sugar is ample. Historically, Australia has been the major supplier to both Lantic and Rogers, but in recent years, purchases of raw sugar from Central and South American countries have increased as the quality and consistency of their raw sugar has improved.





Gross Margins

Two major factors impact our gross margins: the selling margin of our products and our operating costs.

	LANTIC		ROGERS		COMBINED	
	2002*	2001	**2002**	2001	**2002**	2001
$	**39,250**	—	**43,546**	45,084	**82,796**	45,084
Rate per MT	**145.44**	—	**180.82**	172.19	**162.46**	172.19

* For the period from March 8, 2002 to September 30, 2002.

In fiscal 2002, the increase in Rogers' gross margin of over $8.00 per metric tonne was due to a one-time gain of $2.6 million earned on the reduction of 10,000 tonnes of base stock inventory. Without this, the gross margin rate would have been $170.00 per metric tonne.

Lower selling margins in the consumer segment, caused by lower world prices for Taber's products and increased competition from refined sugar importers, were substantially offset by lower operational costs. Even though Taber's per unit cost of production in fiscal 2002 was higher due to the lower beet sugar output, operational costs were reduced largely because of lower energy costs.

Lantic's margin rate is lower than Rogers' due to its product mix. Lantic's high percentage of industrial sales has a lower selling margin rate than Rogers' higher consumer sales mix.

Other Expenses

The other major operating expenses of our operating companies are:

	LANTIC		ROGERS		COMBINED	
(in thousands of dollars)	**2002***	2001	**2002**	2001	**2002**	2001
Distribution	**$ 2,804**	$ —	**$ 7,382**	$ 8,073	**$ 10,186**	$ 8,073
Administration	**9,741**	—	**5,040**	5,147	**14,781**	5,147
Interest	**20,475**	—	**27,116**	30,637	**47,591**	30,637
Depreciation and Amortization	**4,439**	—	**3,970**	13,959	**8,409**	13,959

* For the period from March 8, 2002 to September 30, 2002.

Rogers' distribution costs were lower in 2002 than in the previous year due mainly to the reduced volume in sales.

Rogers' administration costs were reduced in fiscal 2002 because of lower capital tax expenses incurred during the year. Lantic's administration costs reflect all costs of Senior Management for both operating companies, as well as a one-time charge incurred as a result of the Fund's investment in Lantic.

Total interest expense comprise the subordinated interest paid to the Fund and bank and debenture interest. The breakdown is as follows:

	LANTIC		ROGERS		COMBINED	
(in thousands of dollars)	**2002***	2001	**2002**	2001	**2002**	2001
Subordinated interest	**$14,909**	$ —	**$18,500**	$20,800	**$33,409**	$20,800
Long-term bank and debenture interest	**5,443**	—	**8,149**	8,167	**13,592**	8,167
Short-term bank interest	**123**	—	**467**	1,670	**590**	1,670

* For the period from March 8, 2002 to September 30, 2002.

The long-term debt structure of the operating companies is as follows:

(in thousands of dollars)				INTEREST EXPENSES	
OPERATING COMPANY		**Balance at Sept. 30/02**	Interest rate	**2002**	2001
1. Bank and debentures					
Lantic		**$113,135**	Variable	**$ 5,443**	$ —
Rogers		**100,000**	8.17%	**8,149**	8,167
Total		**$213,135**		**$13,592**	$ 8,167
2. Subordinated debt					
Lantic	Series A	**$190,850**	13.25%	**$14,342***	$ —
	Series B	**10,000**	10.0%	**567***	—
Rogers	Initial	**278,261**	Variable	**16,800**	20,800
	Series A	**7,500**	10.0%	**425****	—
	Series B	**25,000**	10.0%	**1,275****	—
Total		**$511,611**		**$33,409**	$20,800

* For the period from March 8, 2002 to September 30, 2002.

** Series A debt was issued March 8, 2002 while Series B was issued March 28, 2002.

Interest paid by Rogers on the initial subordinated debt was reduced by $4.0 million in 2002 due to Rogers' lower operating performance during the year. The interest on the initial subordinated debt varies between 6.0% and 11.5%. In 2002, the rate paid was 6.04% versus 7.47% in 2001.

Rogers' short-term bank interest was reduced by $1.2 million in 2002 due to a reduction in working capital borrowings, following the additional subordinated debt investment in March 2002.

The reduction in depreciation and amortization of $10.0 million at Rogers is due to the new accounting rules in which goodwill is no longer amortized. These rules were adopted by Rogers on October 1, 2001.

Income Taxes

Rogers' and Lantic's current income taxes relate mostly to the Large Corporation Tax that the operating companies incurred in 2002. The future income taxes are provided on temporary differences, which result primarily from the difference between capital cost allowance claimed for tax purposes and book depreciation, as well as losses carried forward and inventory costing.

Cash Flow

Cash flow generated by the operating companies will serve to pay subordinated interest, dividends and return of capital to the Fund after reasonable working capital reserves have been provided for.

The distributable cash earned by the operations is as follows:

	LANTIC		ROGERS		COMBINED	
(in thousands of dollars)	**2002***	2001	**2002**	2001	**2002**	2001
Earnings before depreciation, amortization, interest and income taxes	**$26,705**	$—	**$31,124**	$31,864	**$57,829**	$31,864
Less:						
Bank and debenture interest	**5,566**	—	**8,616**	9,837	**14,182**	9,837
Maintenance capital expenditures	**1,742**	—	**2,301**	1,399	**4,043**	1,399
Cash income taxes	**718**	—	**500**	575	**1,218**	575
Debt repayment	**500**	—	**—**	—	**500**	—
Debt refinancing costs	**—**	—	**167**	202	**167**	202
Distributable cash flow from operations	**18,179**	—	**19,540**	19,851	**37,719**	19,851
Paid to the Fund:						
Subordinated interest	**14,909**	—	**18,500**	20,800	**33,409**	20,800
Dividend	**2,800**	—	**—**	—	**2,800**	—
Working capital provision (usage)	**$ 470**	$—	**$ 1,040**	$ (949)	**$ 1,510**	$ (949)

* For the period from March 8, 2002 to September 30, 2002.

In 2002, the amount of distributable cash from Rogers' operations was slightly lower than it was in the previous year. Lower bank interest was offset by timing in capital expenditures spending, combined with lower operational results.

With the reduction in its subordinated interest payment, Rogers had positive working capital of $1.0 million in 2002, which was applied to the previous year's working capital deficiency.

Lantic had $18.2 million of distributable cash flow, which served to pay subordinated interest of $14.9 million and dividends of $2.8 million to the Fund.

Cash flow from operating activities in 2002, as shown in the attached financial statements, was $14.7 million for Rogers versus a deficiency of $6.7 million in the previous year. The major reasons for the cash flow improvement were: reduction in margin requirements associated with gas and sugar futures, larger accounts payable to beet growers and lower inventories.

Lantic's cash flow from operations was $25.5 million. The major reasons for this positive balance were: decrease in margin requirements associated with sugar futures, higher accounts payable due mainly to timing in payment of inventories and good operating performance.

Liquidity and Capital Resources

Rogers and Lantic each have an authorized line of credit of $50.0 million available to finance their operations. At year-end, no amount was drawn from the working capital facilities and Rogers had $25.7 million of cash available, while Lantic had $11.5 million of cash available.

Cash requirements for working capital and other capital expenditures will be paid from available cash resources and from funds generated from operations.

Lantic intends to renegotiate its long-term debt structure and therefore delay the amortization payment of $12.6 million due in 2003.

Environment

Both Lantic's and Rogers' are committed to meet all applicable government requirements with respect to environmental matters. Except for the temperature of the cooling water discharged from the Vancouver refinery in excess of limits in the Rogers' permit, management believes that Lantic and Rogers are in compliance in all material respects with environmental laws and regulations.

Rogers has not received any notice limiting its production at the Vancouver refinery. Rogers started construction of a water cooling device last year, which should be completed early in fiscal 2003.

In 2000, Lantic ceased operations at its sugar refinery in Saint John, New Brunswick, which it had owned and operated for over 80 years. Soil and groundwater contamination–primarily from trace metals and petroleum hydrocarbons–were discovered at this facility. Over the course of the last two years, groundwater at the facility has been monitored and free petroleum products have been removed from the subsurface by a groundwater pumping system. All asbestos will be removed from the facility by the end of 2002. Following the removal of the asbestos, the remaining cost for the demolition of existing buildings at the site and remedial activities associated with the contamination is estimated to be less than $3 million. Lantic has provided for an expenditure of $3 million to deal with such demolition and remedial activities, but no assurance can be given that the costs of such demolition and remediation will not exceed such estimate or that other contamination will not be found on or off the site of this facility that will require further expenditures.

Rogers, through its inactive subsidiary, Chatterton Petrochemical Corporation ("Chatterton") and its former subsidiary Kalama Chemical, Inc. ("Kalama"), previously managed the production and sale of specialty chemicals in Canada and the United States. Chatterton ceased operations in June 1992, and Kalama was sold in May 1994.

In 1997, OMI Lantic Holdings, BAI Lantic Holdings (collectively "Lantic Holdings") and Lantic Real Property Limited Partnership ("Lantic Realco") provided a joint and several indemnity in favour of Rogers against any claim imposing liability under environmental law, resulting from the presence, discharge, release or threatened release of any hazardous substance at any of the Kalama properties or the Chatterton property, and any claims relating to environmental matters arising under the Kalama sale agreement. In arrangements entered in fiscal 2000, Lantic Realco agreed that, prior to the completion of the cleanup of the Chatterton property and the termination or defeasance of the obligations of Rogers with respect to environmental matters under the Kalama sale agreement, (i) it would not use its assets except for specified purposes, including remediation of the properties related to Kalama and Chatterton, and (ii) upon the sale of the Chatterton property, it would deposit $11.3 million in a trust fund to be used solely to satisfy Lantic Realco's obligations to pay amounts to Rogers under the indemnity. After the said cleanup and termination or defeasance, Lantic Realco may reduce the said trust to $4.0 million to be held for the same purposes unless released by the Rogers board.

Management monitors, on an on-going basis, estimates of the cost to Rogers to cleanup the Kalama properties and the Chatterton property, and to deal with certain previously disclosed claims by the purchaser of Kalama. In addition to the indemnity from Lantic Holdings and Lantic Realco and the supporting arrangements referred to above, Rogers has access to a significant trust fund to pay costs related to cleanup covered by the indemnity. As well, a settlement was reached with the former owner of the Chatterton property under which the former owner released its claim to recover the 50% of cleanup costs it had paid and paid $1.5 million into an escrow to be available to Lantic Realco upon the conclusion of the cleanup of the Chatterton property. In the Settlement Agreement, the former owner was released by Rogers, Chatterton, Lantic Holdings, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

Lantic Holdings also obtained for Rogers in 1997 a $50 million insurance policy to pay on a site-by-site basis for 90% of the cleanup cost of the Kalama and Chatterton properties above those estimated when the policy was issued. The insurance policy remains in force and a number of claims have been made against the policy (and with minor exceptions, have been paid by the insurer) with respect to the only site where cleanup costs have, to date, exceeded the cleanup cost estimated at the time that the insurance was acquired. With the environmental indemnity and recourse to the other funding sources referenced above, Rogers' management believes Rogers has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties or to the Kalama sale agreement.

Risk Factors

Lantic's and Rogers' businesses and operations are substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, their ability to market sugar competitively, operating costs and government programs and regulations.

Fluctuations in margins

Lantic's and Rogers' profitability are principally affected by the margins on domestic refined sugar. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies.

Weather and other factors related to production

Sugar beets, as with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect Rogers' sugar yield of beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with adverse financial consequences to Rogers.

Competition

Lantic and Rogers face competition from Redpath Sugars and other producers and smaller regional distributors of both foreign and domestic refined sugar from other regions. Midway through fiscal 2003, Lantic expects to be facing new competition from a sugar refinery presently being constructed in eastern Canada. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes corn-based sweeteners, such as high fructose corn syrup ("HFCS"), an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications, and non-nutritive, high-intensity sweeteners such as Aspartame. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners presently do not provide the bulk and other physical properties of sugar. Although the various sweeteners are not interchangeable in all applications, the substitution of other sweeteners for sugar has occurred

in certain products, such as soft drinks. Management is not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of Lantic and Rogers.

Operating costs

Lantic and Rogers use large quantities of energy, principally natural gas, in their operations. Moreover, Rogers' beet plant in Taber, Alberta uses larger quantities of energy in its operations than Rogers' cane facility in Vancouver and Lantic's cane facility in Montreal, principally as a result of the need to heat the cossettes (which are slices of sugar beets), to evaporate water from juices containing sugar and to dry the wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's and Rogers' operations. Lantic and Rogers hedge natural gas prices through the use of natural gas futures to lessen the impact of fluctuations in the price of natural gas.

Government regulation and foreign trade policies

In July of 1995, Revenue Canada made a preliminary determination that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea, and that subsidized refined sugar was being imported into Canada from the United States and European Union countries.

The Canadian International Trade Tribunal reviewed the case and ruled that: (a) sugar was being dumped from the United States, Denmark, Germany, the United Kingdom and the Netherlands; (b) sugar was being subsidized from the European Union; and (c) the actions were threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of duties by Revenue Canada. Under Canadian law, these duties must be reviewed every five years. On November 3, 2000, the Canadian International Trade Tribunal continued for a further five years the anti-dumping and countervailing duties imposed on imports of refined sugar from the United States and the European Union.

These duties are important to Lantic and the Canadian sugar refining industry because they protect the market from the adverse effect of unfairly traded imports from these sources. Although some changes have occurred in the United States and European Union sugar programs since 1995, they have not materially affected the factors that originally created the dumping and subsidization. There is no assurance that in 2005 these duties will be continued for a further five years.

In April 2001, the Canadian government signed a bilateral free trade agreement with Costa Rica, which includes the phase-out of the present 8% (approximately $30 per tonne) duty on imports of refined sugar to Canada. In addition, starting in 2003, Costa Rica will gain duty free access for 20,000 tonnes of refined sugar to Canada, gradually increasing to 40,000 tonnes in 2010. This poses a potential threat to Lantic and Rogers and the other major Canadian refiner who did not receive meaningful access to the Costa Rican market and will be left with no protection against such imports. On November 21, 2001, the Canadian government started free trade bilateral negotiations with the CA-4 countries: Guatemala, Nicaragua, Honduras and El Salvador.

Lantic and Rogers oppose any inclusion of refined sugar in such negotiations such as the one with Costa Rica. Lantic and Rogers are informing government officials of the dangers and risks to the Canadian sugar industry of offering a free trade agreement similar to the one entered into with Costa Rica to the CA-4 countries. There can be no assurance that these efforts will be successful.

Employee relations

Certain of Lantic's and Rogers' operations are unionized. Strikes or lockouts could restrict their ability to service their customers in the affected regions, consequently affecting their revenues.

Environmental matters

The operations of both Lantic and Rogers are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. These regulations have become progressively more stringent and Lantic and Rogers anticipate that trend continuing, potentially resulting in the incurrence of material costs to achieve and maintain compliance. Violation of these regulations can result in fines or other penalties, which in certain circumstances can include cleanup. As well, liability to characterize and cleanup or otherwise deal with contamination on or from properties owned, used or controlled by Lantic or Rogers currently or in the past or produced by the operations of either of them can be imposed by environmental regulators or third parties. No assurance can be given that any such liabilities will not be material.

Outlook

In Taber, the yield per acre for the sugar beet crop in 2003 is forecast to be much lower than in the previous year due mainly to poor weather conditions during the growing season. This will result in much smaller beets, and therefore reduced total tonnage. The production shortfall at our Taber facility will be addressed by increasing production in Vancouver.

Revenues from by-products at our Taber facility will also be negatively impacted by the lower yield per acre for our beet crop. Additionally, gross margins could potentially be affected by the price paid for raw sugar on the world market versus the price that would have been paid to the Alberta Growers.

A large proportion of the natural gas to be used in fiscal 2003 was hedged in Spring 2002 at rates lower than in fiscal 2002, which will reduce the operating costs of the plants and improve gross margins.

The demand for industrial sugar products in eastern Canada continues to be strong, which could help Lantic gain additional sales volume in 2003. However, by the second half of the fiscal year a new competitor, with facilities now under construction in Saint John, New Brunswick, will likely be marketing refined sugar in eastern Canada. This new competition may negatively impact the future volumes and margins earned by Lantic and may therefore reduce Lantic's overall profitability. Initiatives to protect our market share will be aggressively pursued.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements (the "financial statements") of Rogers Sugar Ltd. and all the information in this annual report pertaining to Rogers Sugar Ltd. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information of Rogers Sugar Ltd. presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Company.

Rogers Sugar Ltd. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Company. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside and unrelated directors. The committee meets with management, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholder. The committee also considers, for review by the Board and approval by the shareholder, the engagement or reappointment of the external auditors.

The financial statements of the Company have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholder. KPMG LLP has full and free access to the Audit Committee.

Pierre G. Côté
President and Chief Executive Officer

Daniel L. Lafrance
Senior Vice-President of Finance
and Chief Financial Officer

October 31, 2002

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Rogers Sugar Ltd. as at September 30, 2002 and 2001 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2002

Consolidated Balance Sheets

Years ended September 30, 2002 and 2001 (in thousands of dollars)	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	**$ 25,727**	$ —
Accounts receivable (note 3)	**14,227**	23,837
Inventories (note 4)	**10,849**	9,427
Prepaid expenses	**652**	572
Advances to beet growers	**—**	1,480
Future income taxes (note 15)	**1,527**	3,170
	52,982	38,486
Capital assets (note 5)	**79,197**	80,878
Notes receivable (note 6)	**178,000**	178,000
Future income taxes (note 15)	**5,314**	3,632
Deferred financing charges	**872**	1,000
Defined benefit pension plan asset (note 7)	**4,812**	5,512
Goodwill	**161,804**	161,804
	$ 482,981	$ 469,312
Liabilities and Deficiency in Shareholders' Equity		
Current liabilities:		
Bank overdraft and revolving credit facility (note 8)	**$ —**	$ 19,023
Accounts payable and accrued liabilities	**15,387**	15,439
Due to Rogers Sugar Income Fund (note 9)	**4,819**	4,400
Accrued liability to beet growers	**659**	—
	20,865	38,862
Other employee future benefits (note 7)	**5,196**	5,026
Long-term debt (note 10)	**100,000**	100,000
Subordinated notes (note 11)	**310,761**	278,261
Redeemable Class A and B special shares (note 12)	**178,000**	178,000
	614,822	600,149
Deficiency in shareholders' equity:		
Share capital (note 13)	**102,701**	102,701
Deficit	**(234,542)**	(233,538)
	(131,841)	(130,837)
Contingency (note 18)		
	$ 482,981	$ 469,312

See accompanying notes to consolidated financial statements.

On behalf of the Board,

Dallas H. Ross
Director

James S.A. MacDonald
Director

Consolidated Statements of Earnings

Years ended September 30, 2002 and 2001 (in thousands of dollars)	2002	2001
Revenues	**$ 162,559**	$ 185,430
Cost of sales (note 4)	**119,013**	140,346
Gross margin	**43,546**	45,084
Expenses:		
Distribution	**7,382**	8,073
Management and services outsourcing fees (note 16)	**4,790**	4,647
Depreciation and amortization (note 14)	**3,970**	13,959
Other	**250**	500
	16,392	27,179
Earnings before interest and provision for income taxes	**27,154**	17,905
Interest on long-term debt and subordinated notes	**26,649**	28,967
Other interest expense	**467**	1,670
	27,116	30,637
Earnings (loss) before provision for income taxes	**38**	(12,732)
Provision for (recovery of) income taxes (note 15):		
Current	**1,081**	575
Future	**(39)**	(379)
	1,042	196
Net loss	**$ (1,004)**	$ (12,928)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Deficit

Years ended September 30, 2002 and 2001 (in thousands of dollars)	2002	2001
Deficit, beginning of year	**$(233,538)**	$ (220,610)
Net loss	**(1,004)**	(12,928)
Deficit, end of year	**$(234,542)**	$ (233,538)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended September 30, 2002 and 2001
(in thousands of dollars)

	2002	2001
Cash flows from operating activities:		
Net loss	**$ (1,004)**	$ (12,928)
Adjustments for items not involving cash:		
Depreciation and amortization	**3,970**	13,959
Future income taxes	**(39)**	(379)
Employee future benefits	**870**	(701)
	3,797	(49)
Changes in non-cash operating working capital:		
Accounts receivable	**9,610**	(2,339)
Inventories	**(1,422)**	5,251
Prepaid expenses	**(80)**	1,001
Accounts payable and accrued liabilities and other	**674**	(5,670)
Accrued liability to beet growers	**2,139**	(4,939)
	10,921	(6,696)
	14,718	(6,745)
Cash flows from financing activities:		
(Decrease) increase in bank overdraft and revolving credit facility	**(19,023)**	8,346
Increase in deferred financing charges	**(167)**	(202)
Issuance of subordinated notes	**32,500**	—
	13,310	8,144
Cash flows from investing activities:		
Additions to capital assets	**(2,301)**	(1,399)
Net change in cash and cash equivalents, being cash and cash equivalents at end of year	**$ 25,727**	$ —
Supplemental cash flow disclosure:		
Interest paid	**$ 26,801**	$ 34,144
Income taxes paid	**500**	575
Capital assets included in accounts payable and accrued liabilities	**343**	650

See accompanying notes to consolidated financial statements.

Years ended September 30, 2002 and 2001

1 CHANGE IN ACCOUNTING POLICY

Goodwill:

Effective October 1, 2001, Rogers Sugar Ltd. (the "Company") adopted the new Canadian Institute of Chartered Accountants' (CICA) recommendations related to goodwill and intangible assets (Handbook Section 3062).

The guidance found in Section 3062 states that goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired, and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

As of the date of adoption, the Company had unamortized goodwill in the amount of $161,804,000 which is no longer being amortized. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

The Company determined, as of the date of adoption, that the fair value of Rogers Sugar Ltd. is higher than its carrying value and has therefore concluded that its goodwill is not impaired.

The following summarizes the effect of the accounting change if it were applied retroactively.

(in thousands of dollars)	**2002**	2001
Reported net loss	**$(1,004)**	$(12,928)
Add: goodwill amortization	—	10,112
Adjusted net loss	**$(1,004)**	$(2,816)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

The financial statements include the accounts of the Company's subsidiaries, all of which are inactive.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Company's cash management.

(c) Inventories:

Cane sugar inventory is valued at the lower of cost and net realizable value adjusted for unrealized gains or losses on forward sugar purchase and sale commitments. A base quantity of 25,000 tons of cane sugar is valued at $85 per ton, which is less than market value. Beet sugar inventory and all other inventories are valued at the lower of cost and net realizable value.

The Company, in the normal course of business, enters into commodities futures contracts and options on futures markets for the purpose of hedging its foreign exchange exposure for cane sugar purchases and sales commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales.

(d) Capital assets:

Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and improvements	2.5 %
Plant and equipment	5 %
Furniture and fixtures	20 %

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income taxes:

The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

(f) Employee future benefits:

The Company has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. The Company also sponsors defined benefit life insurance, disability plans and medical benefits for substantially all retirees and employees.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(g) Foreign currency translation:

Foreign currency transactions are translated using the temporal method. Gains or losses resulting from these translations are reflected in net earnings of the period. Foreign denominated assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate in effect on the dates they occur.

(h) Deferred financing charges:

Deferred financing charges reflect the cost to obtain new credit facilities and are amortized on a straight-line basis over the term of the related indebtedness.

(i) Revenue recognition:

Revenue is recognized at the time sugar products are shipped to customers.

(j) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the valuation of inventories, the determination of recoverability of capital assets and the rates for depreciation and amortization. Actual results could differ from those estimates.

3 ACCOUNTS RECEIVABLE

(in thousands of dollars)	**2002**	2001
Trade	**$ 13,363**	$ 14,250
Receivable from commodity brokers	**303**	7,285
Other	**561**	2,302
	$ 14,227	$ 23,837

4 INVENTORIES

In 2002, the Company revised its nominal base quantity of cane sugar from 35,000 tons to 25,000 tons, which is valued at $85 per ton. The decrease in the base quantity resulted in a gain of approximately $2.6 million which was applied against cost of sales.

5 CAPITAL ASSETS

(in thousands of dollars)

	2002			2001
	Cost	**Accumulated depreciation and amortization**	**Net book value**	Net book value
Land	**$15,790**	**$ —**	**$15,790**	$15,788
Buildings and improvements	**13,243**	**1,340**	**11,903**	11,756
Plant and equipment	**62,612**	**11,685**	**50,927**	51,977
Furniture and fixtures	**1,368**	**1,134**	**234**	461
Construction in progress	**343**	**—**	**343**	896
	$93,356	**$14,159**	**$79,197**	$80,878

6 NOTES RECEIVABLE

The notes receivable represent the proceeds from the sale of investment in Lantic Sugar Limited and Refined Sugars Inc., then wholly-owned subsidiaries of the Company, on October 8, 1997 prior to the acquisition of the Company by Rogers Sugar Income Fund ("RSIF").

The notes bear no interest and have no fixed terms of repayment, except that they can be used to redeem the special Class A and B shares.

7 EMPLOYEE FUTURE BENEFITS

The Company sponsors a non-contributory defined pension plan for its salaried employees, as well as health care benefits, provincial medical plans and life insurance coverage.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2002		2001	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Discount rate	**6.50%**	**6.75%**	6.75%	7.00%
Expected long-term rate of return on plan assets	**7.00%**	**N/A**	7.00%	N/A
Rate of compensation increase	**4.50%**	**4.50%**	4.50%	4.50%

The assumed health care cost trend rate at September 30, 2002 was 5.5% (2001 - 5.8%) decreasing to 4.2% (2001 - 4.2%) in 2004/2005.

The Company's net benefit plan expense is as follows:

	2002		2001	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Current service cost	**$ 512**	**$ 123**	$ 440	$ 111
Interest cost	**2,185**	**347**	2,144	337
Expected return on plan assets	**(2,232)**	**—**	(2,654)	—
Amortization of past service cost	**229**	**—**	172	—
Amortization of actuarial loss (gain)	**6**	**—**	(92)	—
Decrease in valuation allowance	**—**	**—**	(942)	—
Net benefit plan expense (income)	**$ 700**	**$ 470**	$ (932)	$ 448

7 EMPLOYEE FUTURE BENEFITS (CONTINUED)

Information about the Company's defined benefit plans is as follows:

	2002		2001	
(in thousands of dollars)	**Pension benefit plan**	**Other benefit plans**	Pension benefit plan	Other benefit plans
Accrued benefit obligation:				
Balance at beginning of year	**$33,208**	**$ 4,980**	$28,542	$4,649
Current service cost	**512**	**123**	440	111
Interest cost	**2,185**	**347**	2,144	337
Benefits paid	**(2,342)**	**(304)**	(2,241)	(217)
Plan amendments	**—**	**—**	2,521	—
Actuarial losses	**993**	**1,599**	1,730	100
Employee contributions	**147**	**—**	72	—
Balance at end of year	**$34,703**	**$ 6,745**	$33,208	$4,980
Plan assets:				
Fair value at beginning of year	**$32,985**	**$ —**	$38,947	$ —
Actual return on plan assets	**(1,570)**	**—**	(3,793)	—
Employer contributions	**—**	**304**	—	217
Employee contributions	**147**	**—**	72	—
Benefits paid	**(2,342)**	**(304)**	(2,241)	(217)
Balance at end of year	**$29,220**	**$ —**	$32,985	$ —
Funded status - plan deficit	**$ (5,483)**	**$(6,745)**	$ (223)	$(4,980)
Unamortized net actuarial losses (gains)	**8,175**	**1,549**	3,386	(46)
Unamortized past service cost	**2,120**	**—**	2,349	—
Accrued benefit asset (liability)	**$ 4,812**	**$(5,196)**	$ 5,512	$(5,026)

8 BANK OVERDRAFT AND REVOLVING CREDIT FACILITY

On August 25, 2000, the Company refinanced its existing revolving credit facility with a Canadian chartered bank. The terms of the new credit facility extend to August 25, 2004. The revolving credit facility is for the Company's operations and drawdowns are subject to certain restrictions. This facility is secured by the accounts receivable and inventory.

The credit facility bears interest at prime rate plus 0.25% to 0.75% or Bankers' Acceptance rate plus 1.00% to 1.75% determined on the basis of meeting a financial ratio, and a standby fee of 0.20% to 0.375%. The revolving credit facility is subject to extension at terms to be agreed upon with the lenders. The interest rate for the year was approximately 4.50% (2001 - 6.25%).

9 DUE TO ROGERS SUGAR INCOME FUND

The amount due to Rogers Sugar Income Fund represents the interest accrued on the subordinated notes.

10 LONG-TERM DEBT

(in thousands of dollars)	**2002**	2001
Debentures	**$ 100,000**	$ 100,000

On August 25, 2000, the Company refinanced its long-term debt by issuing $100 million in debentures. These debentures have an annual interest rate yield of 8.173% and interest is payable on a quarterly basis on November 25, February 25, May 25 and August 25 of each calendar year. The debentures mature on August 26, 2005, at which point repayment of principal is due in full. The long-term debt is secured by all the assets of the Company, except accounts receivable and inventory which serve as security for the revolving credit facility (note 8).

11 SUBORDINATED NOTES

(in thousands of dollars)	**2002**	2001
Issued in 1997:		
Subordinated notes	**$278,261**	$278,261
Issued in 2002:		
Series "A" notes	**7,500**	—
Series "B" notes	**25,000**	—
	32,500	—
	$310,761	$278,261

All of the notes are held by RSIF. The subordinated notes bear interest at a variable interest rates based on the Company's earnings before interest, taxes, depreciation and amortization and working capital requirements subject to a ceiling of 11.5%, and a floor of 6.0% per annum. The Series "A" and Series "B" notes are unsecured and bear interest at 10% per annum. The subordinated notes and the Series "A" and Series "B" notes come due on October 15, 2027.

12 REDEEMABLE CLASS A AND B SPECIAL SHARES

(in thousands of dollars)	**2002**	2001
133,500,000 Class A shares	**$133,500**	$133,500
44,500,000 Class B shares	**44,500**	44,500
	$178,000	$178,000

Class A shares, non-voting, no dividend.

Class B shares voting, on a pro rata basis equal to 10.01% of the voting trust agreement between Balaclava Acquisition Inc. and RSIF. RSIF is entitled to vote the Class B shares.

The redeemable Class A and Class B shares are retractable and can be settled at the Company's option by delivery of the Notes receivable having respective face values of $133.5 million and $44.5 million.

13 SHARE CAPITAL

(in thousands of dollars)	**2002**	2001
Issued:		
41,504,800 common shares	**$102,701**	$102,701
1 Class C share	**—**	—
	$102,701	$102,701

Authorized common shares, unlimited, voting, held by RSIF.

The Class C share is redeemable by the Company for $1 upon the termination of the Governance Agreement. The Class C share entitles the holder to elect five of the seven directors of the Company, but has no other voting rights at any meetings of shareholders of the Company, except as may be required by law.

14 DEPRECIATION AND AMORTIZATION

Depreciation and amortization are comprised of the following:

(in thousands of dollars)	**2002**	2001
Depreciation of capital assets	**$ 3,675**	$ 3,587
Amortization of deferred financing charges	**295**	260
Amortization of goodwill	**—**	10,112
	$ 3,970	$ 13,959

15 INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial rates to loss before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

(in thousands of dollars)	**2002**	2001
Earnings (loss) before provision for income taxes	**$ 38**	$(12,732)
Expected rate	**35%**	35%
Expected taxes payable (refund)	**13**	(4,456)
Adjustments to expected taxes payable (refund):		
Amortization of goodwill	**—**	3,539
Other differences	**429**	538
	429	4,077
Large corporation tax	**600**	575
Provision for income taxes	**$ 1,042**	$ 196
Represented by:		
Current income tax provision	**$ 1,081**	$ 575
Future income tax recovery	**(39)**	(379)
Provision for income taxes	**$ 1,042**	$ 196

The future income tax assets (liabilities) comprise the following temporary differences:

(in thousands of dollars)	**2002**	2001
Current:		
Inventory reserve	**$ 1,527**	$ 3,170
Long-term:		
Capital assets	**$ 3,245**	$ 1,827
Losses carried forward	**1,916**	1,985
Employee future benefits	**153**	(180)
	$ 5,314	$ 3,632

No valuation allowance was recorded for the current and long-term future income tax assets.

16 RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the amount of consideration established and agreed to by the related parties.

Transactions and balances with related parties are as follows:

(in thousands of dollars)	2002	2001
Lantic Sugar Limited ("Lantic"):		
Management and services outsourcing fees	**$ 4,790**	$ 4,647
Sales	**3,997**	6,700
Purchases	**31**	670
Accounts receivable	**260**	312
Accounts payable	**299**	670
Rogers Sugar Income Fund:		
Interest expense on subordinated notes	**18,500**	20,800

Management Agreement:
Lantic provides strategic management services to the Company. The initial term of the Management Agreement, which may be terminated by the Company under certain circumstances, is for 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $300,000.

Services Outsourcing Agreement:
Lantic provides the Company with selling, general and administrative services other than services relating to distribution cost. The initial term of the Outsourcing Agreement, which may be terminated by the Company under certain circumstances, is 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $4.1 million, adjusted for fluctuations in the consumer price index.

17 FINANCIAL INSTRUMENTS

(a) Current assets and liabilities:
Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The carrying value of financial instruments in current assets and current liabilities approximates their fair values based on the short-term maturity of those instruments.

(b) Long-term debt and subordinated notes:
Long-term debt, which was refinanced on August 25, 2000 (see note 10), is recorded on the balance sheet at a cost amount of $100 million as at September 30, 2002 (2001 - $100 million) with an approximate fair market value of $116 million (2001 - $104 million). The fair value of the long-term debt was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

(c) Foreign exchange contracts:
The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial derivative instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

As at September 30, 2002, the Company had outstanding forward foreign exchange contracts with maturities of less than two years to sell US currency aggregating US$16,251,000 (2001 - US$19,275,000). Outstanding forward foreign exchange contracts had an unrealized gain position of approximately $251,000 (2001 - unrealized gain of $1,055,000). The net positions are sensitive to changes in foreign exchange rates.

17 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Future gas hedging program:

The Company established a hedging program in 2000 to mitigate the effects of gas price changes on its operating margins and overall profitability. The Company also monitors its hedging positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance. At September 30, 2002, the Company has hedged a portion of the estimated fiscal 2003 gas consumption and outstanding gas futures had an unrealized gain position of approximately $1,180,000 (2001 - unrealized loss of $4,290,000).

(e) Credit risk:

The Company grants credit to its customers under the ordinary course of business. Concentrations of credit risk are limited due to the broad base of consumers and their dispersion across different market segments.

18 CONTINGENCY

Environmental matters:

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations. In addition, certain inactive subsidiaries and former subsidiaries are or could be named party to certain claims in respect of environmental matters. The Company has obtained at the time of the acquisition by RSIF an environmental indemnification for matters existing as at October 8, 1997. The Company has also insurance to cover costs incurred for environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements (the "financial statements") of Lantic Sugar Limited and all the information in this annual report pertaining to Lantic Sugar Limited are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information of Lantic Sugar Limited presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Company.

Lantic Sugar Limited maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Company. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside and unrelated directors. The committee meets with management, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholder. The committee also considers, for review by the Board and approval by the shareholder, the engagement or re-appointment of the external auditors.

The financial statements of the Company have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholder. KPMG LLP has full and free access to the Audit Committee.

Pierre G. Côté
President and Chief Executive Officer

Daniel L. Lafrance
Senior Vice-President of Finance
and Chief Financial Officer

October 31, 2002

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Lantic Sugar Limited as at September 30, 2002 and 2001 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2002

Consolidated Balance Sheets

September 30, 2002 and 2001 and March 8, 2002 (in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Assets			
Current assets:			
Cash and cash equivalents	**$ 11,491**	$ 1,589	$ —
Accounts receivable (note 4)	**38,013**	41,131	47,319
Income taxes recoverable	**3,805**	61	1,355
Inventories	**22,883**	13,166	20,318
Future income taxes (note 13)	**—**	757	—
Prepaid expenses	**1,342**	2,222	1,023
	77,534	58,926	70,015
Capital assets (note 5)	**116,491**	119,751	118,293
Other assets (note 6)	**2,161**	7,395	3,367
Goodwill	**48,531**	48,531	48,531
	$ 244,717	$ 234,603	$ 240,206
Liabilities and Deficiency in Shareholders' Equity			
Current liabilities:			
Bank overdraft and revolving credit facility (note 7)	**$ —**	$ 2,518	$ 8,936
Accounts payable and accrued liabilities	**24,398**	25,392	18,490
Due to Rogers Sugar Income Fund (note 8)	**6,524**	—	—
Income taxes payable	**—**	628	—
Future income taxes (note 13)	**2,482**	—	299
Current portion of long-term debt (note 10)	**12,638**	26,125	500
	46,042	54,663	28,225
Other employee future benefits (note 9)	**6,715**	6,441	6,526
Long-term debt (note 10)	**100,497**	133,925	113,135
Subordinated notes (note 11)	**200,850**	—	200,850
Future income taxes (note 13)	**9,396**	6,720	8,793
	363,500	201,749	357,529
Deficiency in shareholders' equity:			
Share capital (note 12)	**146,118**	146,118	146,118
Contributed surplus (note 12)	**100,126**	98,573	100,126
Deficit	**(365,027)**	(211,837)	(363,567)
	(118,783)	32,854	(117,323)
Commitments (note 17)			
	$ 244,717	$ 234,603	$ 240,206

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Dallas H. Ross
Director

James S.A. MacDonald
Director

Consolidated Statements of Earnings

Years ended September 30, 2002 and 2001 (in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002 (Note 1)
Revenues	**$ 258,950**	$ 262,748	$ 147,621
Cost of sales	**195,399**	205,749	108,371
Gross margin	**63,551**	56,999	39,250
Expenses:			
Administration and selling	**15,955**	12,422	9,741
Distribution	**4,974**	4,869	2,804
Depreciation and amortization	**8,348**	9,661	4,439
Special charge (note 15)	**—**	2,212	—
	29,277	29,164	16,984
Earnings before interest and provision for income taxes	**34,274**	27,835	22,266
Interest on long-term debt and subordinated notes	**25,740**	11,240	20,352
Other interest expense	**354**	643	123
	26,094	11,883	20,475
Earnings before provision for income taxes	**8,180**	15,952	1,791
Provision for (recovery of) income taxes (note 13):			
Current	**(3,195)**	198	(2,335)
Future	**5,915**	6,830	2,786
	2,720	7,028	451
Net earnings	**$ 5,460**	$ 8,924	$ 1,340

See accompanying notes to consolidated financial statements.

Consolidated Statements of Deficit

Years ended September 30, 2002 and 2001 (in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002 (Note 1)
Deficit, beginning of period:			
As previously reported	**$(211,837)**	$ (219,437)	$ (363,567)
Adoption of new accounting standard for employee future benefits, net of applicable future income taxes of $693	**—**	(1,324)	—
As restated	**(211,837)**	(220,761)	(363,567)
Net earnings	**5,460**	8,924	1,340
Dividend paid	**(2,800)**	—	(2,800)
Corporate reorganization (note 1)	**(155,850)**	—	—
Deficit, end of period	**$(365,027)**	$ (211,837)	$ (365,027)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended September 30, 2002 and 2001 (in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002
			(Note 1)
Cash flows from operating activities:			
Net earnings	**$ 5,460**	$ 8,924	$ 1,340
Adjustments for items not involving cash:			
Depreciation and amortization	**8,348**	9,661	4,439
Future income taxes	**5,915**	6,830	2,786
Employee future benefits	**4,559**	663	785
Special charge	**—**	2,212	—
Other	**311**	598	238
	24,593	28,888	9,588
Changes in non-cash operating working capital:			
Accounts receivable	**3,118**	(14,696)	9,306
Income taxes	**(4,372)**	(3,885)	(2,450)
Inventories	**(9,717)**	8,969	(2,565)
Prepaid expenses	**880**	3,879	(319)
Accounts payable and accrued liabilities	**240**	(9,160)	5,385
Due to Rogers Sugar Income Fund	**6,524**	—	6,524
	(3,327)	(14,893)	15,881
	21,266	13,995	25,469
Cash flows from financing activities:			
Decrease in bank overdraft and revolving credit facility	**(2,518)**	(4,719)	(8,936)
Decrease in long-term debt	**(46,915)**	(1,363)	(500)
Issuance of subordinated notes	**45,000**	—	—
Dividend paid	**(2,800)**	—	(2,800)
Increase in deferred financing charges	**(736)**	—	—
Other	**—**	2,552	—
	(7,969)	(3,530)	(12,236)
Cash flows from investing activities:			
Additions to capital assets	**(3,395)**	(10,484)	(1,742)
Net change in cash and cash equivalents	**9,902**	(19)	11,491
Cash and cash equivalents, beginning of period	**1,589**	1,608	—
Cash and cash equivalents, end of period	**$ 11,491**	$ 1,589	$ 11,491
Supplemental cash flow disclosure:			
Interest paid	**$ 18,702**	$ 9,066	$ 13,755
Income taxes paid	**1,518**	3,884	718
Capital assets included in accounts payable and accrued liabilities	**523**	204	523
Other financing included in accounts receivable	**—**	1,231	—
Forgiveness of accounts payable and accrued liabilities accounted for as an increase in contributed surplus	**1,553**	—	—

See accompanying notes to consolidated financial statements.

Years ended September 30, 2002 and 2001

1 CORPORATE REORGANIZATION AND BASIS OF PRESENTATION

On March 8, 2002, the unitholders of Rogers Sugar Income Fund (the "Fund") approved the acquisition of 100% of the common shares of 171266 Canada Inc. ("Lantic Investments") in exchange for the issuance of 35,500,000 units of the Fund. While the Fund owns all of the common shares of Lantic Investments, Lantic Capital Inc., the owner of the Class "C" share of Lantic Investments is entitled to designate five of Lantic Investments' seven directors. Accordingly, Lantic Investments does not meet the definition of a subsidiary for accounting purposes and the Fund has accounted for this investment in Lantic Investments from the effective date of acquisition using the equity method.

Immediately thereafter, the Fund incorporated 3989536 Canada Inc. ("Lantic Holdings") and Lantic Holdings issued 1 Class "C" share to Lantic Capital Inc. entitling it to designate five of Lantic Holdings' seven directors. The Fund sold its investment in Lantic Investments to Lantic Holdings in exchange for an unsecured subordinated note of Lantic Holdings in the amount of $155,850,000 bearing interest at 13.25%. Lantic Holdings and Lantic Investments were then merged to form Lantic Sugar Limited (the "Company").

Since the transactions between Lantic Holdings and Lantic Investments represent exchange of ownership interests between entities under common control, the financial statements of Lantic Sugar Limited reflect the assets and liabilities of Lantic Holdings and Lantic Investments at their net book values as reported in their historical financial statements. This explains the $155,850,000 increase in the deficit of Lantic Sugar Limited.

The consolidated financial statements include the accounts of the Company and its directly and indirectly wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

The comparative figures for the year ended September 30, 2001 are those of 171266 Canada (1997) Inc.

The additional unaudited consolidated balance sheet as at March 8, 2002 and the audited consolidated statements of earnings and cash flows for the period of March 8, 2002 to September 30, 2002 are provided for the benefit of the unitholders of Rogers Sugar Income Fund.

2 CHANGE IN ACCOUNTING POLICY

Goodwill:
Effective October 1, 2001, the Company adopted the new Canadian Institute of Chartered Accountants' (CICA) recommendations related to goodwill and intangible assets (Handbook Section 3062).

The guidance found in Section 3062 states that goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired, and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

As of the date of adoption, the Company had unamortized goodwill in the amount of $48,531,000 which is no longer being amortized. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

The Company determined, as of the date of adoption, that the fair value of Lantic Sugar Limited is higher than its carrying value and has therefore concluded that its goodwill is not impaired.

The following summarizes the effect of the accounting change if it were applied retroactively:

(in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002 (Note 1)
Reported net earnings	**$ 5,460**	$ 8,924	$ 1,340
Add: goodwill amortization	**—**	3,064	—
Adjusted net earnings	**$ 5,460**	$ 11,988	$ 1,340

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents:
Cash and cash equivalents includes cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of Company's cash management.

(b) Inventories:
Sugar inventory is valued at the lower of cost and net realizable value adjusted for unrealized gains or losses on forward sugar purchase and sale commitments.

The Company, in the normal course of business, enters into commodities futures contracts and options on futures markets for the purpose of hedging its inventory and related purchase and sale commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales.

All other inventories are valued at the lower of cost, determined on the first-in, first-out basis, and net realizable value.

(c) Capital assets:
Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and improvements	2.5 %
Plant and equipment	5 %
Furniture and fixtures	20 %

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

(d) Goodwill:
Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired, and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

(e) Income taxes:
The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

(f) Employee future benefits:
The Company has defined benefit pension plans covering some of its employees. The benefits are based on years of service and the employee's compensation. The Company also sponsors defined benefit life insurance, disability plans and medical benefits, for substantially all retirees and employees.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee future benefits (continued):

- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(g) Foreign currency translation:
Foreign currency transactions are translated using the temporal method. Gains or losses resulting from these translations are reflected in net earnings of the period. Foreign denominated assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate in effect on the dates they occur.

(h) Deferred financing charges:
Deferred financing charges reflect the cost to obtain new credit facilities and are amortized on a straight-line basis over the term of the related indebtedness.

(i) Revenue recognition:
Revenue is recognized at the time sugar products are shipped to customers.

(j) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the valuation of inventories, the determination of recoverability of capital assets and the rates for depreciation and amortization. Actual results could differ from those estimates.

4 ACCOUNTS RECEIVABLE

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Trade	**$ 24,285**	$ 24,424	$ 18,727
Receivable from commodity brokers	**3,004**	15,170	20,108
Other	**10,724**	1,537	8,484
	$ 38,013	$ 41,131	$ 47,319

5 CAPITAL ASSETS

	September 30, 2002			September 30, 2001	March 8, 2002 (Note 1)
(in thousands of dollars)	**Cost**	**Accumulated depreciation and amortization**	**Net book value**	Net book value	Net book value
Land	**$ 2,749**	**$ —**	**$ 2,749**	$ 2,749	$ 2,749
Buildings and improvements	**23,963**	**410**	**23,553**	23,430	23,064
Plant and equipment	**90,983**	**3,357**	**87,626**	91,954	89,934
Furniture and fixtures	**1,841**	**300**	**1,541**	1,399	877
Construction in progress	**1,022**	**—**	**1,022**	219	1,669
	$ 120,558	**$ 4,067**	**$ 116,491**	$ 119,751	$ 118,293

6 OTHER ASSETS

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Deferred financing charges	**$ 1,377**	$ 2,015	$ 1,749
Prepaid sales discount	**333**	337	263
Deferred pension costs (note 9)	**36**	4,321	632
Other	**415**	722	723
	$ 2,161	$ 7,395	$ 3,367

In 2002, $1,374,000 (2001 - $638,000) of deferred financing charges was amortized and included as part of depreciation and amortization in the consolidated statements of earnings.

7 BANK OVERDRAFT AND REVOLVING CREDIT FACILITY

The Company has a short-term revolving credit facility of an aggregate maximum of $50,000,000 from which the Company can borrow at prime rate and/or US base rate. The accounts receivable and inventories of the Company have been pledged as security for operating credit facilities.

8 DUE TO ROGERS SUGAR INCOME FUND

The amount due to Rogers Sugar Income Fund represents the interest accrued on the subordinated notes (see note 11).

9 EMPLOYEE FUTURE BENEFITS

The Company sponsors a defined pension plan for its employees, as well as health care benefits, medical plans and life insurance coverage.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations for the year ended September 30, 2002 and 2001 are as follows:

		2002		2001
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Discount rate	**6.50 %**	**6.50 %**	6.75 %	6.75 %
Expected long-term rate of return on plan assets	**7.00 %**	**N/A**	7.00 %	N/A
Rate of compensation increase	**4.00 %**	**4.00 %**	4.50 %	4.50 %

The assumed health care cost trend rate as September 30, 2002 was 9.14% (2001 - 8.9%) decreasing to 3.89% (2001 - 4.4%) over 7 years (2001 - 6 years) and remaining at that level thereafter.

The Company's net benefit plan expense is as follows:

(in thousands of dollars)		**2002**		2001
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Current service cost	**$ 925**	**$ 99**	$ 1,118	$ 282
Interest cost	**4,016**	**425**	5,309	412
Expected return on plan assets	**(4,307)**	**—**	(7,158)	—
Amortization of actuarial loss (gain)	**1,623**	**(276)**	—	(158)
Amortization of past service cost	**416**	**—**	—	—
(Decrease) increase in valuation allowance	**(1,944)**	**—**	2,645	—
Settlement loss (gain)	**569**	**—**	(1,282)	—
Net benefit plan expense	**$1,298**	**$ 248**	$ 632	$ 536

9 EMPLOYEE FUTURE BENEFITS (CONTINUED)

Information about the Company's defined benefit plans is as follows:

(n thousands of dollars)	2002		2001	
	Pension benefit plan	**Other benefit plans**	Pension benefit plan	Other benefit plans
Accrued benefit obligations:				
Balance at beginning of year	**$ 67,278**	**$ 6,441**	$ 86,117	$ 6,196
Current service cost	**925**	**99**	1,118	282
Interest cost	**4,016**	**425**	5,309	412
Benefits paid	**(8,703)**	**(325)**	(4,845)	(291)
Plan amendments	**1,202**	**—**	—	—
Actuarial loss (gains)	**2,173**	**384**	(1,902)	(158)
Obligations being settled	**(16,688)**	**—**	(19,140)	—
Special termination benefit distribution	**6,565**	**—**	—	—
Plan curtailment	**2,209**	**—**	—	—
Employee contributions	**484**	**—**	621	—
Balance at end of year	**$ 59,461**	**$ 7,024**	$ 67,278	$ 6,441
Plan assets:				
Fair value at beginning of year	**$ 79,737**	**—**	$ 110,386	$ —
Actual return on plan assets	**(1,769)**	**—**	(7,499)	—
Employer contributions	**235**	**325**	214	291
Employee contributions	**484**	**—**	621	—
Benefits paid	**(8,703)**	**(325)**	(4,845)	(291)
Settlement payments	**(16,688)**	**—**	(19,140)	—
Special termination benefit	**(5,767)**	**—**	—	—
Balance at end of year	**$ 47,529**	**—**	$ 79,737	$ —
Funded status - plan (deficit) surplus	**$(11,932)**	**$(7,024)**	$ 12,459	$ (6,441)
Unamortized net actuarial losses	**11,182**	**309**	5,125	—
Unamortized past service costs	**786**	**—**	—	—
Valuation allowance	**—**	**—**	(13,263)	—
Accrued benefit asset (liability)	**$ 36**	**$(6,715)**	$ 4,321	$ (6,441)

In 2002, the Company and its salaried employees agreed to terminate existing arrangements under the Lantic Pension Plan for Salaried Employees in return for employees receiving lump-sum payments in exchange for their rights to receive specified pension benefits in the future. This transaction resulted in the Company recording a settlement gain of approximately $2,500,000, which was recorded as part of administration and selling expenses in the consolidated statement of earnings.

The Company's net benefit plan expense for the period of March 8, 2002 to September 30, 2002 is as follows:

(in thousands of dollars)	Pension benefit plan	Other benefit plans
Current service cost	$ 527	$ 57
Interest cost	2,346	244
Expected return on plan assets	(2,516)	—
Amortization of actuarial loss	89	119
Amortization of past service cost	228	—
Change in valuation allowance	(351)	—
Net benefit plan expense	$ 323	$ 420

9 EMPLOYEE FUTURE BENEFITS (CONTINUED)

Information about the Company's defined benefit plans for the period of March 8, 2002 to September 30, 2002 is as follows:

(in thousands of dollars)	Pension benefit plan	Other benefit plans
Accrued benefit obligations:		
Balance at March 8, 2002	$ 60,911	$ 6,878
Employee contributions	274	—
Current service cost	527	57
Interest cost	2,346	244
Benefits paid	(6,661)	(188)
Actuarial loss	1,901	33
Obligations being settled	568	—
Plan amendments	(405)	—
Balance at September 30, 2002	$ 59,461	$ 7,024
Plan assets:		
Fair value at March 8, 2002	$ 56,073	$ —
Actual return on plan assets	(2,872)	—
Employer contributions	147	188
Employee contributions	274	—
Benefits paid	(6,661)	(188)
Settlement payments	568	—
Balance at September 30, 2002	$ 47,529	$ —
Funded status - plan deficit	$ (11,932)	$ (7,024)
Unamortized net actuarial losses	11,182	309
Unamortized past service costs	786	—
Accrued benefit asset (liability)	$ 36	$ (6,715)

10 LONG-TERM DEBT

Long-term debt is comprised of the following:

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Term "A" loan	**$ 65,135**	$ 111,550	$ 65,135
Term "B" loan	**48,000**	48,500	48,500
	113,135	160,050	113,635
Less current portion	**12,638**	26,125	500
	$100,497	$ 133,925	$113,135

(a) The Term "A" loan bears interest at prime rate plus nil to 1.375%, US base rate plus nil to 1.375%, LIBOR plus 1.00% to 2.875%, Bankers' Acceptances and Bankers' Acceptance equivalent notes at Bankers' Acceptance rate plus 1.00% to 2.375% depending on the type of drawdown on these credit facilities and a financial ratio at the time of the drawdown. The Term "B" loan bears interest a prime rate plus 1.125% to 1.875%, US base rate plus 1.125% to 1.875%, LIBOR plus 2.125% to 2.875%, Bankers' Acceptances and Bankers' Acceptance equivalent notes at Bankers' Acceptance rate plus 2.125% to 2.875% depending on the type of drawdown on these credit facilities and a financial ratio at the time of the drawdown. These credit facilities provide for specific covenants to be met. The long-term debt is secured by all the assets of the Company, except accounts receivable and inventories which serve as security for the revolving credit facility.

The credit facilities expire on June 5, 2005.

In connection with these credit facilities, the Company entered into an interest rate swap agreement for Bankers' Acceptance borrowings, with a financial institution to pay interest rate on $165,000,000 at inception and declining thereafter, at rates ranging from 4.40% to 6.12%. The interest rates swap matures on June 30, 2003. Payments made under these swap agreements are accounted for as interest expense.

10 LONG-TERM DEBT (CONTINUED)

(b) Required principal payments in each of the next three years are as follows:

(in thousands of dollars)	Term "A" loan	Term "B" loan	Total
2003	$ 12,138	$ 500	$ 12,638
2004	31,037	500	31,537
2005	21,960	47,000	68,960
	$ 65,135	$ 48,000	$113,135

11 SUBORDINATED NOTES

The details of the subordinated notes due to Rogers Sugar Income Fund are as follows:

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Series "A" - Issued on corporate reorganization (note 1) bearing interest at 13.25%	**$155,850**	$ —	$155,850
Series "A" - Issued on March 8 and used to repay term loans, bearing interest at 13.25%	**35,000**	—	35,000
Series "B" - Issued on March 8 and used for working capital purposes, bearing interest at 10%	**10,000**	—	10,000
	$200,850	$ —	$200,850

The Series "A" and Series "B" subordinated notes are due on October 15, 2027.

12 SHARE CAPITAL

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002 (Note 1)
Authorized:			
An unlimited number of common shares			
1 Class "C" special share			
Issued:			
1,000 common shares	**$146,118**	$146,118	$146,118
1 Class "C" special share	**—**	—	—
	$146,118	$146,118	$146,118

The Class C share is redeemable by the Company for $1 upon the termination of the Governance Agreement. The Class C share entitles the holder to elect five of the seven directors of the Company but has no other voting rights at any meetings of shareholders of the Company, except as may be required by law.

In 2002, an amount of $1,553,000 due to a related party was forgiven and was accounted for as an increase in contributed surplus.

13 INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

(in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002
			(Note 1)
Earnings before provision for income taxes	**$ 8,180**	$ 15,952	$ 1,791
Expected rate	**35%**	35%	35%
Expected taxes payable	**2,863**	5,583	627
Adjustments to expected taxes payable:			
Amortization of goodwill	**—**	896	—
Other differences	**(383)**	309	(316)
	2,480	6,788	311
Large corporation tax	**240**	240	140
Provision for income taxes	**$ 2,720**	$ 7,028	$ 451
Represented by:			
Current income tax (recovery) expense	**$ (3,195)**	$ 198	$ (2,335)
Future income tax expense	**5,915**	6,830	2,786
Provision for income taxes	**$ 2,720**	$ 7,028	$ 451

The future income tax assets (liabilities) comprise the following temporary differences:

(in thousands of dollars)	**September 30, 2002**	September 30, 2001	March 8, 2002
			(Note 1)
Current:			
Inventory reserve	**$ (2,482)**	$ 757	$ (299)
Long-term:			
Capital assets	**$ (14,908)**	$(12,216)	$(14,055)
Employee future benefits	**2,295**	729	2,025
Refinancing penalties	**1,910**	2,785	2,420
Others	**1,307**	1,982	817
	$ (9,396)	$ (6,720)	$ (8,793)

No valuation allowance was recorded for the current and long-term future income tax assets.

14 RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the amount of consideration established and agreed to by the related parties.

Transactions and balances from related parties are as follows:

(in thousands of dollars)	**2002**	2001	Period of March 8, 2002 to September 30, 2002
			(Note 1)
Rogers Sugar Ltd.:			
Management and outsourcing fee revenue	**$ 4,790**	$ 4,647	$ 2,763
Purchases	**3,997**	6,700	1,420
Sales	**31**	670	21
Accounts receivable	**299**	670	299
Accounts payable	**260**	312	260
Rogers Sugar Income Fund:			
Interest expense on subordinated notes	**14,909**	—	14,909

14 RELATED PARTY TRANSACTIONS (CONTINUED)

Management Agreement:

The Company provides strategic management services to Rogers Sugar Ltd. ("Rogers"). The initial term of the Management Agreement, which may be terminated by Rogers under certain circumstances, is for 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $300,000.

Services Outsourcing Agreement:

The Company provides Rogers with selling, general and administrative services other than services relating to distribution cost. The initial term of the Outsourcing Agreement ending October 8, 2012, which may be terminated by Rogers under certain circumstances, is 15 years, renewable thereafter for successive five-year terms and provides for an annual fee of $4.1 million, adjusted for fluctuations in consumer price index.

15 SPECIAL CHARGE

In 2001, the Company accrued severance costs of $2,212,000 relating to the termination of a Company executive.

16 FINANCIAL INSTRUMENTS

(a) Current assets and liabilities:

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The carrying value of financial instruments in current assets and liabilities approximates their fair values based on the short-term maturity of those instruments.

(b) Long-term debt and subordinated notes:

The carrying value of long-term debt approximates its fair value at the balance sheet date as the long-term debt bears interest at floating rates. The Company uses interest rate swap agreements ranging from 4.40% to 6.12% to minimize financing costs on debts.

(c) Foreign exchange contracts:

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts by currency, as well as the unrealized gain or loss on such contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas, at September 30, 2002 and 2001, are as follows:

(in thousands of dollars)		**2002**		2001
Foreign currency contracts	**Forward contracts (US$)**	**Unrealized gain (loss) (CA$)**	Forward contracts (US$)	Unrealized gain (loss) (CA$)
Purchases - US dollars	**$18,929**	**$533**	$68,416	$2,512
Sales - US dollars	**15,663**	**(431)**	47,010	(1,570)
		$102		$ 942

16 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Future gas hedging program:

The Company established a hedging program to mitigate the effects of gas price changes on its operating margins and overall profitability. The Company also monitors its hedging positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance. At September 30, 2002, the Company has hedged a portion of the estimated fiscal 2003 gas consumption and outstanding gas futures had an unrealized gain position of approximately $717,000. At September 30, 2001, the Company had hedged approximately 91% of the estimated fiscal 2002 gas consumption and outstanding gas futures had an unrealized loss position of approximately $2,316,000.

(e) Credit risk:

The Company grants credit to its customers under the ordinary course of business. Concentrations of credit risk are limited due to the broad base of consumers and their dispersion across different market segments.

17 COMMITMENTS

The future annual minimum rental payments under existing operating leases are as follows:

(in thousands of dollars)	
2003	$ 132,000
2004	89,000
2005	40,000
2006	22,000
2007	25,000

FUND INFORMATION

LEGAL COUNSEL:

Davies, Ward, Phillips & Vineberg LLP
Toronto, Ontario

AUDITORS:

KPMG LLP
Montréal, Québec

ANNUAL MEETING:

The annual meeting of unitholders
to be held at 09:30 AM
January 30, 2003 at the
Delta Montréal
475 President Kennedy Ave.
Montréal, Québec
H3A 1J7
Tel.: (514) 286-1986

ADMINISTRATIVE OFFICE:

4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3
Tel.: (514) 527-8686
Fax: (514) 527-1610

REGISTRAR & TRANSFER AGENT:

Computershare Trust Company of Canada
Toronto, Ontario

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange

TRADING SYMBOL:

RSI.UN

INVESTOR RELATIONS:

Daniel L. Lafrance
Tel.: (514) 940-4350
Fax: (514) 527-1610

WEBSITES:

Rogerssugar.com
Lantic.ca

MANAGEMENT

OFFICERS:

Pierre G. Côté
President and Chief Executive Officer

Jacques Dussault
Senior Vice-President Human Resources

Daniel L. Lafrance
Senior Vice-President Finance / Procurement
Chief Financial Officer and Secretary

Yvon Paquin
Senior Vice-President and Chief Operating Officer

Dennis N. Hurl
Senior Vice-President Sales and Marketing

Douglas Emek
General Manager – Taber Operations & Ass. Secretary

Richard B. Ménard
Director of Finance and Comptroller

INVESTOR RELATIONS:

Daniel L. Lafrance
Tel.: (514) 940-4350
Fax: (514) 527-1610

WEBSITES:

Rogerssugar.com
Lantic.ca

LEGAL COUNSEL:

Davies, Ward, Phillips & Vineberg LLP
Toronto, Ontario

AUDITORS:

KPMG LLP
Montréal, Québec

DIRECTORS OF LANTIC SUGAR LIMITED AND ROGERS SUGAR LTD.:

A. Stuart Belkin
President
Belkorp Industries Inc.

Pierre G. Côté
President and Chief Executive Officer
Lantic Sugar Limited & Rogers Sugar Ltd.

James S.A. MacDonald (1) (2)
Chairman and Managing Partner
Enterprise Capital Management Inc.

Thomas P. Dea
Vice-President
Onex Corporation

Christopher A. Govan
Vice-President
Onex Corporation

Seth M. Mersky (2)
Vice-President
Onex Corporation

Dallas H. Ross (1) (2)
Partner
Kinetic Capital Partners

(1) Rogers Sugar Income Fund Nominees
(2) Audit Committee Members

CORPORATE INFORMATION

MANAGEMENT OFFICE:

4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3
Tel.: (514) 527-8686
Fax-Administration: (514) 527-1610

PLANT ADDRESSES:

123 Rogers Street
Vancouver, British Columbia
V6B 3N2
General Manager:
Bryon Karren
Tel.: (604) 253-1131
Fax: (604) 253-2517

5405 – 64th Street
Taber, Alberta
T1G 2C4
General Manager:
Doug Emek
Tel.: (403) 223-3535
Fax: (403) 223-9699

4026 Notre-Dame St. East
Montréal, Québec
H1W 2K3
General Manager :
Dany Gagnon
Tel.: (514) 527-8686
Fax: (514) 527-8406

ROGERS SUGAR INCOME FUND
Management Office
4026 Notre-Dame Street East
Montréal, Québec
H1W 2K3

PRINTED IN CANADA